Shinki

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Annual Report

Profile

Ever Onward!

In 2004, Shinki celebrated its 50th anniversary. Since our launch as a business in 1954, unique products and services such as the groundbreaking *NoLoan* consumer finance product, and the benefits of consolidation of our two main divisions, consumer and corporate finance, have enabled us to give real meaning to the words "customer satisfaction."

The past connects to the present and the future.
Shinki will not rest on its laurels. The 50th anniversary is only a point in time to be marked.

Several years of economic stagnation and increases in non-performing loans have made for a harsh business environment, but in the middle of these upheavals, we successfully met the challenge of large-scale updating of basic systems in April 2003, and in January 2004 of replacement of our 86 staffed outlets around Japan with 11 business centers.

As the Shinki creed states: "Don't look back! Just keep going forward!"

We will advance, inspired by our mission of supporting general consumers and small and medium-sized enterprises.

Greater satisfaction for our customers, and further growth for Shinki — there is no end to our mission.

Shinki is ready to go. We constantly search for new business opportunities, and new avenues for growth.

NoLoan

Starting out as a provider of real estate-backed loans to SMEs, we have evolved into a comprehensive consumer and corporate finance company

Shinki began life in 1954 in Hyogo Prefecture in Western Japan, as a finance company that provided loans to small and medium-sized enterprises, and to sole proprietorships. These loans were secured by collateral in the form of real estate.

Shinki subsequently expanded into non-collateral financing fields such as commercial bill discounting and loans on bills, and in 1974 entered the field of consumer finance, which had recently emerged as a growth market with strong potential. The Company subsequently followed a steady path of consolidating its position as a comprehensive finance company — a significant player in both the consumer and corporate finance businesses.

The next major step in Shinki's history came in October 1996 with the launch on the market of *NoLoan*, a revolutionary consumer loan product with a revolving line of credit — available to applicants via ATMs after a quick automatic credit screening process. The product gets its unique name from the fact that no interest is charged if it is paid back within one week. (A conventional commercial loan always carries interest.) This product attracted a large number of new and loyal customers to Shinki.

In June 2001, we extended the same principle to our corporate customers with the launch of *NoLoan Business*, a corporate version of *NoLoan*. The Company's principal business line is now the supply of "one-week-interest-free" loans — accessible to cardholders via our automatic application machines — to both individual customers (consumer loans) and smaller companies and sole proprietors.

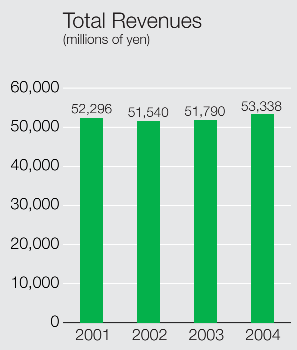
NOLOAN

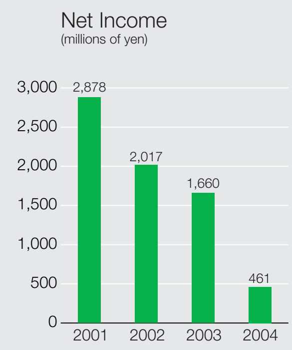
Consolidated Financial Highlights

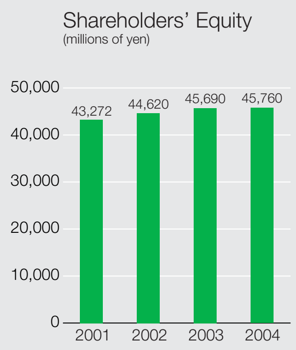
Shinki Co., Ltd. Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars
	2003	**2004**	**2004**
For the fiscal year:			
Total revenues	¥ 51,790	**¥ 53,338**	**$ 503,189**
Net income	1,660	**461**	**4,349**
At year-end:			
Total assets	¥233,940	**¥213,246**	**$2,011,755**
Finance receivables, net	162,684	**144,791**	**1,365,953**
Shareholders' equity	45,690	**45,760**	**431,698**
Per share data (yen and U.S. dollars)**:**			
Basic net income	¥36.38	**¥ 9.95**	**$0.09**
Diluted net income	31.26		

Note:
U.S. dollar amounts represent translations of yen, for convenience only, at the rate of ¥106 to U.S.$1, the approximate exchange rate at March 31, 2004.







Message from the President

On our 50th anniversary, evolving into a comprehensive financial company offering higher added-value services and a high level of customer satisfaction.

Naofumi Maeda
President

The Term in Review

In the term under review, the Japanese economy showed further signs of moderate recovery. Exports increased and corporate capital investment rebounded against a backdrop of strong fundamentals in the U.S. and growth in the Chinese economy. Household spending also benefited from these trends, with the jobless rate and employment indicators brightening and signs emerging of mild recovery in personal consumption.

In the consumer finance industry, however, the number of personal bankruptcies remained high, decreasing only slightly after finally beginning to decline in November 2003. In corporate financing, the business environment faced by customers remained harsh. Although bankruptcy and closure rates at small and medium-sized enterprises are also trending downward, they likewise remain high.

In these circumstances, the Group focused on building profitability at its mainstay consumer and corporate finance operations by expanding sales of the *NoLoan* and *NoLoan Business* loan products, which are interest-free for one week, and by improving credit monitoring and operating efficiency. Total loan assets on a consolidated basis rose 5.6%, or ¥11,427 million (US$108 million), compared with the end of the previous term, to ¥215,705 million (US$2,041 million), reflecting acquisition of all stock in Alco Corporation., Ltd. and its conversion into a wholly owned subsidiary in December 2003, as well as more rigorous credit screening. This figure includes off-balance-sheet assets transferred to SPCs or SPTs (special-purpose trusts) which consisted of unsecured consumer loans of ¥42,475 million (US$401 million) and unsecured corporate loans of ¥9,873 million (US$93 million).

As a result, total revenues for the term under review rose 3.0%, or ¥1,548 million (US$15 million) year-on-year, to ¥53,338 million (US$503 million). Income before income taxes and minority interests, however, decreased 54.3% to ¥1,408 million (US$13 million) due to increased write-offs and other expenses, and net income came to ¥461 million (US$4 million), a 72.2% decrease compared with the end of the previous term, reflecting early application of new accounting standards relating to impairment recognition of a decrease in fixed assets.

Tasks Ahead

The prospects for the Japanese economy remain unclear. Although we expect a sustained moderate recovery, we are concerned at uncertainties arising from the unstable Iraq situation as well as sharp exchange-rate fluctuations and soaring crude oil prices. Corporate and personal bankruptcy rates have trended downward, but they remain at high levels, and we expect to continue to face difficult business conditions.

Despite this environment, we are determined to bring earnings back on track by taking steps to further improve the quality of loan credits and the efficiency of operations.

For fiscal 2004, the term ending March 31, 2005, we project an increase in total revenues (up 4.6% year-on-year to ¥55,562 million), and a dramatic increase in net income of 523.8% over the previous term to ¥2,876 million, as a result of a sharp decline in provisions for credit losses.

Naofumi Maeda
President

Interview with the President

Management Strategy

Strengthening our operating base and streamlining management

Q. How do you feel about the 50th anniversary?

First, let me express my gratitude to our shareholders and other supporters, without whose help we could not have reached this point. Since our launch as a real estate-secured financing company for small and medium-sized enterprises, we have evolved into a comprehensive loan card and financial services company. We believe we showed foresight in our business model, inasmuch as we met the needs of the times. Our revolutionary mainstay *NoLoan* products, which are interest-free for one week, have given the Company its present stable footing. This is a recent development.

The 50th anniversary is only a point in time to be marked. Our goal is not to be just one company in the pack blindly chasing growth. We aim to be a model for the sector, offering value-added services and a high level of customer satisfaction and reliability. To achieve this, we must deepen reforms to our business. In this way, I am convinced we can maximize shareholder value.

Q. Please tell us about Shinki's medium-to long-term management strategy.

The mainstay products of the Company are consumer (*NoLoan*) and corporate (*NoLoan Business*) unsecured loan card products.
In the consumer finance industry, the operating environment is harsh. Corporate restructuring and an uncertain employment environment amid a sluggish economy have dampened growth in the market. At the same time, credit costs from bad debt write-offs have increased.

In these conditions, I believe we can only increase profitability by improving credit quality through more rigorous credit monitoring and a reduction in operating costs through streamlining of administration.

Based on this conviction, we have replaced our national network of manned outlets with automated facilities, and have set up 11 business centers in Tokyo, Osaka and other major cities, consolidating credit management. We plan further steps to increase productivity through reform of administrative processes. We also need to target greater levels of total revenues to build a stable operating base. To this end, we are aggressively attracting new customers through our unstaffed outlets, and pursuing M&A policies such as purchase of loan assets from other consumer finance companies and their takeover through stock acquisition. As part of this effort, in December 2003, we converted Alco Corporation., Ltd. which offers consumer finance services in the Tokyo region, into a wholly owned subsidiary.

Q. What progress have you had in enhancing credit monitoring, a core part of your main business?

We assess customer creditworthiness at two stages, at initial loan application and during the loan period, in the latter case based on repayment history. The Company uses auto-scoring systems for credit screening for initial application and credit monitoring during the period of the loan, based on statistical techniques. Because the accuracy of auto-scoring has a strong bearing on the quality of our loan assets, we have to keep upgrading these systems.

Until recently, we verified the accuracy of the auto-scoring systems and made necessary adjustments only periodically. But in October 2003 we established a new Risk Management Division, to improve the precision of credit analysis and make possible rapid feedback to the screening section.

In the Risk Management Division, we installed a database that brings together all financial receivables information relating to customers, transaction details and auto-scoring that was built up in core computer systems. Data analysis is carried out by the SAS* system, which can select, link up and optimize data freely. Analysis results are fed back quickly to all business levels from top management to branch staff.

Given that at present no major increase in new customers can be expected, the Risk Management Division is expanding the loan balance of existing customers by raising their credit limits based on enhanced assessment of their creditworthiness, and reducing operating costs by developing a recovery model that forecasts the recoverability of delinquent loans.

* SAS: Analytical software with a worldwide reputation that can conduct statistical processing on large volumes of data at high speed.

Q. Have there been any new developments in your product range?

Shinki — the parent — is nurturing the *NoLoan* brand and accelerating our shift to card-based products. Following the success of our *NoLoan* consumer loans, which are interest-free for one week, we introduced the *NoLoan Business* revolving-type fixed-payment credit card product in June 2001, ahead of all competitors. This replaces conventional loans on deeds and loans on bills as our mainstay product for corporate financing needs. Not only does the use of card products for the proprietors of small businesses allow a considerable improvement in customer convenience, it also enables us to reduce operating costs. This is because we can make use of existing networks of automated loan-contract machines and ATMs previously dedicated to consumer finance operations.

To meet the needs of customers with obligations to multiple lenders, Group member Alco Co., Ltd. in March 2004 began handling loans with a guarantor requirement and real estate-secured loans for optimal real estate asset use. These products are designed to consolidate debt.

Q. What is the *Smart Call 7* service that the Company is promoting now?

Improving user satisfaction is a key to winning and keeping customers. We want our customers to feel no worry or dissatisfaction about either the Company or its products, and if they do, it is vital to remove the cause as soon as possible. In our efforts to raise customer satisfaction, the telephone is an important tool.

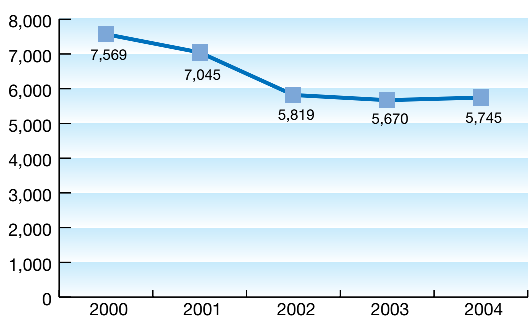
Most of our interaction with customers is over the phone. That means perceptions of the Company depend on the attitudes of the people at the other end of the line. Because of that, we train our telephone staff to value each call as if it were a once-in-a-lifetime encounter, and make every effort to ensure the customer never feels anxiety or dissatisfaction.

Sincere attention to our customers' every wish is the way to create satisfaction and build confidence. This it what the *Smart Call* concept is all about.

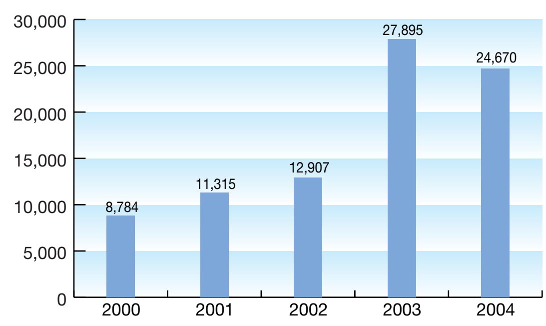
Q. What outlet strategy are you following?

In order to increase ease of access for customers, we are expanding our network of unstaffed outlets. We are improving customer convenience by forming cash dispenser and ATM network alliances with financial institutions and credit card companies affiliated with major retailers. We are also strengthening service channels such as on-line processing of loan applications. As of June 30, 2004, we operated a network of 450 outlets centered on the Tokyo and Kinki areas, 11 staffed and 439 unstaffed, with 24,670 cash dispensers and ATMs available for customer use.

Employees' Salaries
(millions of yen)



Number of ATMs
(machine)



Specific Measures on the Drawing Board

Early implementation of ancillary measures to support our medium-to-long-term strategy

Q. Please tell us about the Company's advertising strategy.

To raise the public profile of our mainline products in the *NoLoan* brand, we have signed up Oliver Kahn, Germany's goalkeeper, to appear in our advertising campaigns. Kahn is one of the most famous footballers in the world, having been voted the best player of the 2002 World Cup (staged jointly by Japan and South Korea). He appears in a series of TV commercials that started in April 2003, and features in a full range of advertising campaigns using other media.

We have chosen Kahn because of his reputation for letting in no goals. As "Zero-Man," Kahn is an ideal symbol for *NoLoan* products, which require no interest payment in the first week. This concept is emphasized in all our advertising.

Q. What plans do you have for Alco, the consumer finance company you purchased?

We bought Alco in December 2003, and its operations in unsecured, non-guaranteed loans to consumers, including its credit balance, were absorbed into our operations in June 2004.

Alco's mainstay products are now loans with a guarantor requirement and real estate-secured loans for optimal real estate asset use.

The Company plans to support Alco's business expansion and win new customers for it by 1) inviting loan applicants who do not meet our standards to consider Alco's loans with a guarantor requirement and real estate-secured loans; and 2) acting as a sales agent for Alco, introducing its products to those of our customers who could not expect to maintain or extend their existing loan agreements with us due to increased obligations to other companies.

Alco's products are mainly intended for consolidation of loan obligations. But it is an effective product range for reducing the burden on borrowers, because the guarantor and real estate collateral conditions keep interest rates down, and monthly payments are low due to the long repayment period (up to 6 years).

Q. Please tell us something about Group management policy.

The Group follows a policy of selecting winners among its businesses (mainly financial) and focusing resources on them. Our affiliates engage in businesses that are closely linked to those of the Company. The Group's mainline loan business is currently handled by the Company and Alco. The parent company is targeting a major share of the consumer finance market through our *NoLoan* and *NoLoan Business* revolving-type card product. Clients with a slightly higher risk level are handled by Alco, which specializes in guarantor-requirement and real estate-secured loans.

We are also developing business in other service areas through our subsidiary Careerlink Co., Ltd., which is mainly engaged in the temporary staff business, focusing on headhunting and telemarketing companies. In October 2003, it absorbed the recruitment company Excel Jinzai Haken Center Co., Ltd., headquartered in Himeji, Hyogo Prefecture, and in January 2004 established Fablink Co., Ltd., enabling it to enter the business of outsourcing for manufacturing industries.

In advertising agency operations, our subsidiary Picnic Ad is involved in agency work and in the planning and production of advertising materials. It deals with newspaper and television companies, participates in campaign planning for our products, and handles TV ads for our products. Picnic Ad played a central role in securing the services of Oliver Kahn for our new advertising campaign.

Q. What is the company's policy on the increasingly important matter of compliance?

The concept of customer satisfaction has shifted from material to mental satisfaction. Companies that fail to prevent leaks of sensitive information or become involved in other scandals invite severe social sanctions, and cannot survive if they ignore societal pressures. The Company regards compliance as a matter of the utmost importance. We have set up a Legal and Ethical Compliance Office to direct initiatives to ensure that not only laws and regulations, but also generally accepted standards of ethical conduct, are observed in all its business activities. We also established a Compliance Committee, mainly comprising executive officers, which meets every three months to discuss outstanding compliance issues throughout the Company and decide on remedial measures where necessary.

We also try to instill compliance awareness thoroughly in every employee at every opportunity, through enhancement of our code of procedure and compliance training for employees from new hires through each corporate level.

Q. What is your stance on IR activities?

For shareholders and investors, we aim for timely disclosure of information, satisfactory in terms of quality and quantity, through company news releases, briefings for analysts, quarterly earnings statements, monthly updates, as well as releases via our English webpage and mailing lists. Our website was completely revamped in May 2004, making it easier to view and use.

Q. What is your position on business tie-ups with financial institutions?

In March 2002, the Company signed a business tie-up agreement with Shinsei Bank to assure our stable future growth as a consumer finance company. Under this agreement — in which Shinsei Bank takes a significant shareholding in the Company, underwrites our convertible bonds, and provides financing to the Company, as well as sending directors and senior executives to Shinki — Shinsei Bank becomes our main bank, vastly increasing the stability of our management.

In June 2004, a new Chairman came to us from Shinsei Bank, further deepening our relationship.

Off-balance-sheet assets due to securitization in the amounts of ¥52,348 million for the reporting term and ¥28,270 million for the previous term are included in the loan balance figures below.

Marketing System

In the term under review, Shinki replaced almost all its nationwide network of staffed offices with unstaffed outlets, supported by 11 business centers located in the country's major cities. Our decision to replace our staffed branches with booths containing automated loan-contract machines was based on our perception that such unstaffed outlets are the optimal marketing channel for attracting customers, who prefer the anonymity afforded by a machine, to having to deal with face-to-face contact with a member of our staff. An additional advantage of unstaffed outlets, from the cost-performance point of view, is that their management and maintenance can easily be outsourced. Taking all these factors into consideration, we determined that there was little further merit in continuing to operate staffed branches.

The centralization of our staffed operations at only 11 business centers has allowed improved efficiency in credit monitoring and management, and has also facilitated the rethinking and rationalization of administrative processes, as well as increasingly thorough training for our staff. These factors are certain to lead to improved customer service and more rigorous implementation of compliance.

The total number of offices operated by Shinki as of the end of the reporting term was 491, an increase of 29 over the previous term-end, partly owing to the acquisition during the term of Alco Corporation, which brought 21 Alco offices under our umbrella. The number of staffed branches declined by 58 during the term, to 28 at term-end (including 17 inherited from Alco). Meanwhile, we continued to actively expand our network of unstaffed outlets, both by opening completely new unstaffed outlets and by converting previously staffed premises into automated booths. We also closed down outlets deemed to be poorly located, transferring operations to new premises at sites more likely to attract customers. As a result of our efforts, the number of unstaffed outlets at term-end stood at 463, an increase of 87 over the previous term-end.

To improve customer convenience, we concluded ten new collaboration agreements with financial institutions concerning the operation of ATMs during the term under review. The total number of ATMs managed by the institutions with which we had such agreements at term-end came to 27,404. This was a sharp increase of 14,974 from the figure at the previous term-end. Combined with the 491 ATMs operated by the Shinki Group, this gives our customers access to our services through a total of 27,895 machines, up from 14,988 at the previous term-end.

Consumer Finance

During the reporting period, we utilized TV commercials, posters in railway and subway cars, and newspaper advertisements to raise the brand profile among the general public of our flagship consumer finance product — the *NoLoan* unsecured loan. We also actively employed an "M&A-type" strategy with respect to other consumer finance companies, including the purchase of loan assets ("finance receivables") and the acquisition of equity shares in such companies. In this respect, our most significant move during the term was the acquisition of Alco Corporation as a wholly owned subsidiary. We also purchased loan assets from five other consumer finance enterprises.

Through this expansion strategy, with M&A methods as the spearhead, and featuring the acquisition of Alco Corporation as a wholly owned subsidiary, our total loans to consumers on a consolidated basis increased by ¥16,381 million, or 13.0%, during the term, to ¥142,137 million (US$1,341 million) at term-end. Of this, unsecured loans, which account for the overwhelming majority, amounted to ¥141,298 million (US$1,333 million), an increase of ¥16,274 million, or 13.0%. The outstanding number of loan accounts (approximately equivalent to the number of customers) as of the term-end stood at 347,916 accounts, up 20.4% year-on-year. The average value of loans extended to customers declined by ¥27,000 during the term, to ¥406,000.

The value of unsecured loans to consumers whose repayment was overdue by one month or more decreased by ¥112 million on a non-consolidated basis during the reporting period, to ¥3,315 million (US$31 million) at term-end. The percentage of such loans to total unsecured loans improved by 0.13 percentage points, from 2.74% to 2.61%.

The write-off amount of total unsecured loans stemming from individual consumers declaring bankruptcy (on a non-consolidated basis) rose ¥1,949 million over the previous term, or an increase of 19.8% year-on-year, to ¥11,807 million (US$111 million). The percentage of this amount to the total unsecured loan balance rose 1.40 percentage points to 9.29%.

Corporate Finance

The Company's mainline product in the field of corporate finance, which we have been marketing aggressively, is *NoLoan Business*. Like its consumer loan counterpart *NoLoan*, it is interest-free for one week. *NoLoan Business* is a unsecured revolving loan with a credit limit of ¥3 million and no guarantor requirement, and is available via our loan application cards. Thanks to its various convenient features, *NoLoan Business* has been very well-received among our customers.

The balance of loans to corporate customers at the term-end was down ¥4,954 million, or 6.3%, from the previous term-end, at ¥73,568 million (US$694 million). The value of accounts of *NoLoan Business*, the principal product in this category, increased by ¥2,557 million, or 4.1%, to a term-end balance of ¥65,165 million (US$615 million). The balance of loans on deeds, for which we stopped accepting new applications, dropped 56.0% to ¥2,325 million (US$22 million) thanks to ongoing success in loan recovery. Meanwhile, the outstanding balance of loans to other consumer finance enterprises secured by loans receivable held by them shrank by 42.7% from the previous term, to ¥6,078 million (US$57 million).

The value of loans past due for one month or more declined by ¥414 million during the term, to a term-end balance of ¥2,239 million (US$21 million). The proportion of loans past due by one month or more to the total outstanding loan balance declined from 3.34% to 3.27%. Out of the total of loans to corporate customers, excluding commercial bills discounted, the amount of bad debt written off decreased by ¥1,284 million year-on-year, or 19.8%, to ¥5,207 million (US$49 million). The write-off ratio improved by 1.15 percentage points, to 7.02%.

Financial Section

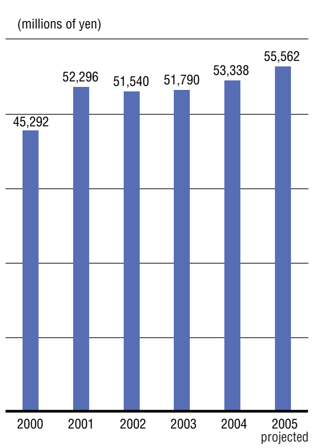
Five-Year Summary

Shinki Co., Ltd.
Years Ended March 31

Consolidated	Millions of Yen 2000	2001	2002	2003	2004	Thousands of U.S. Dollars 2004
For the fiscal year:						
Total revenues	¥ 45,292	¥ 52,296	¥ 51,540	¥ 51,790	**¥ 53,338**	**¥ 503,189**
Net income	5,769	2,878	2,017	1,660	**461**	**4,349**
At year-end:						
Total assets	¥248,743	¥271,374	¥252,963	¥233,940	**¥213,246**	**¥2,011,755**
Finance receivables, net	180,844	198,031	177,101	162,684	**144,791**	**1,365,953**
Shareholders' equity	41,040	43,272	44,620	45,690	**45,760**	**431,698**
Per share data (yen and U.S. dollars)**:**						
Basic net income	¥127.17	¥63.44	¥44.47	¥36.38	**¥9.95**	**$0.09**
Diluted net income				31.26		
Financial ratios:						
Equity ratio	16.5%	15.9%	17.6%	19.5%	**21.5%**	
Return on equity	14.1%	6.8%	4.6%	3.7%	**1.0%**	
Ratio of net income to total revenues	12.8%	5.5%	3.9%	3.2%	**0.9%**	

Notes
• U.S. dollar amounts represent translations of yen, for convenience only, at the rate of ¥106 to U.S.$1, the approximate exchange rate at March 31, 2004.
• Consolidated data for the year to March 31, 1999 are not available.

Total Revenues



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Financial Review

(on a consolidated basis)

Business Environment

Japanese exports rose during the reporting period, thanks to the steady expansion of the U.S. and Chinese economies, and a gradual recovery trend became observable as corporate capital investment increased, among other bright signs. The unemployment rate continued to move downward throughout the term, and this was seen to impact general household income, with consumer spending staging a modest recovery.

In the consumer finance sector, however, the business environment remained difficult. Although personal bankruptcies in November 2003 dipped below the level for the same month of the previous year, the absolute figure was still high. Moreover, in the corporate finance industry, too, despite a slowdown in the number of small and medium-sized companies declaring bankruptcy or going out of business, the absolute level of bankruptcies was, once again, unacceptably high.

Review of Operations

For the reporting period, the Company's total revenues rose 3.0% year-on-year, to ¥53,338 million (US$503 million). Interest income, including discount revenue, posted a year-on-year decline of 6.2% to ¥37,499 million (US$354 million), but this was due to the fact that off-balance-sheet assets due to securitization in the amounts of ¥52,348 million (US$494 million) — up ¥24,078 million over the figure at the previous term-end, as well as ¥28,270 million for the previous term, are included in the figures for the loan balance. In contrast, earnings on beneficial interests on financial loans in trust increased from ¥8,313 million for the previous term to ¥11,501 million (US$109 million).

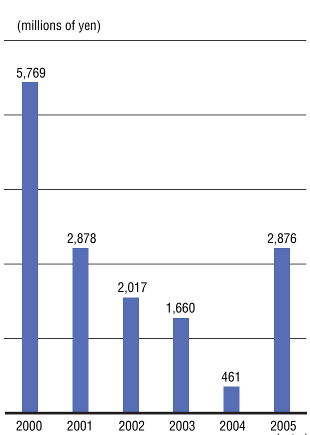
Total expenses increased by ¥3,223 million, or 6.6%, to ¥51,930 million (US$490 million). This was mainly due to an increase of ¥4,083 million in provisions for credit loss to a total for the reporting period of ¥16,018 (US$151 million). Loss on write-off of loans (bad debts) shrank by ¥1,955 million to ¥4,930 million (US$47 million). Total credit costs (bad debts plus provision for credit losses) increased by ¥2,128 million over the previous period. This is mainly attributable to a rise in the number of personal bankruptcies stemming from the deterioration of the employment situation. The Company's salaries and fringe benefits declined slightly from the previous term, to ¥6,406 million (US$60 million), despite increases resulting from the addition of Alco Corporation to the list of Shinki's consolidated subsidiaries. The decline is attributable to the reduction of our work force by 210 during the term, thanks to the centralization of administrative operations.

For the term under review, Shinki adopted impairment accounting for idle land and building assets, as a result of which we posted a loss on impairment of long-lived assets in the amount of ¥1,114 million (US$11 million) under "other expenses." For this reason, the category of "other expenses" saw a year-on-year increase of ¥1,834 million to ¥19,284 million (US$182 million). As a result, income before income taxes and minority interests declined by ¥1,675 million year-on-year, or 54.3%, to ¥1,408 million (US$13 million), while income taxes came to ¥469 million (US$4 million). Net income under tax-effect accounting declined by ¥1,199 million, or 72.2%, to ¥461 million (US$4 million), and earnings per share came to ¥9.95 (US$0.09). Diluted EPS is omitted as conversion of convertible bonds would have an anti-dilutive effect on EPS. The per-share dividend payment was ¥12.5 (US$0.12).

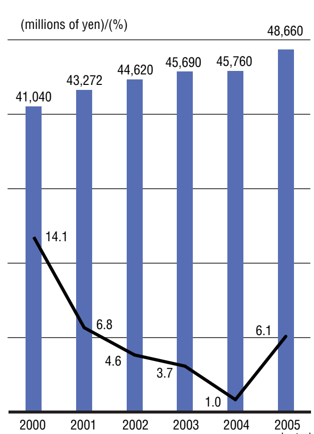
Financial Position

Total finance receivables at the end of the reporting term were up by ¥10,957 million, or 5.3%, over the previous term-end, at ¥216,330 million (US$2,041 million). However, the amounts of the loan balance removed from the balance sheets through securitization rose from ¥28,270 million at the previous term-end to ¥52,348 million (US$494

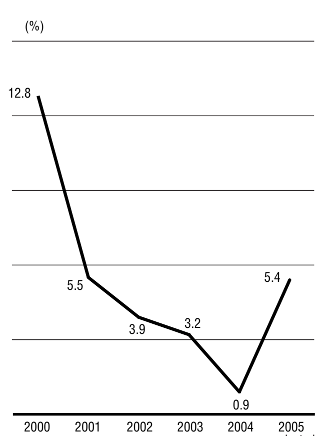
Net Income



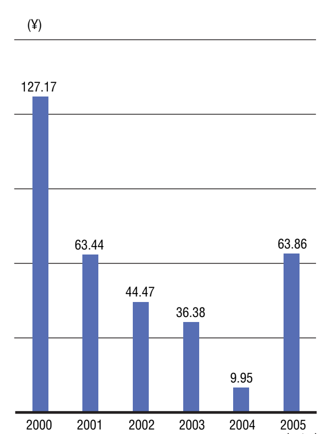
Shareholders' Equity/ Return on Equity



Ratio of Net Income to Total Revenues



Basic Net Income per Share*



*Adjusted for stock split

million). For this reason, “finance receivables, net” as recorded on the balance sheet declined by ¥17,893 million (11.0%) to ¥144,791 million (US$1,366 million).

Investment in securities declined by ¥1,004 million, or 47.1%, to ¥1,126 million (US$11 million), owing to the redemption of Japanese Government Bonds. Meanwhile, owing to the registration of consolidation goodwill in the amount of ¥1,465 million (US$14 million) accompanying the purchase of the consumer finance company Alco Corporation, other assets rose ¥724 million, or 3.4%, over the previous term-end, to ¥22,182 million (US$209 million). As a result of the foregoing, total assets came to ¥213,246 million (US$2,012 million), a year-on-year decrease of ¥20,694 million, or 8.8%.

On the liabilities side, total liabilities shrank by ¥20,765 million, or 11.0%, to ¥167,473 million (US$1,580 million). Long-term debt, less current portion, was down ¥20,199 million, or 22.0%, at ¥71,450 million (US$674 million), while short-term debt also declined, by the slight margin of ¥621 million, or 0.7%, to ¥89,547 million (US$845 million).

Shareholders’ equity edged up by ¥70 million over the previous term-end level, to ¥45,760 million (US$432 million).

Cash Flows

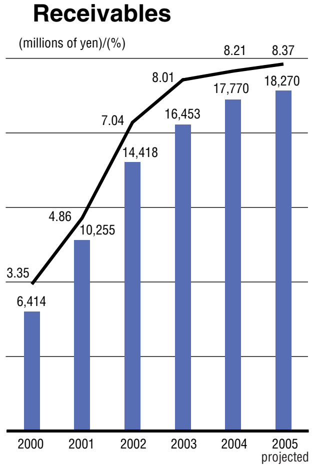
Net cash provided by operating activities increased by ¥5,713 million, or 30.6%, over ¥18,685 million for the previous term to ¥24,398 million (US$230 million), despite a 54.3% decline in income before income taxes and minority interests to ¥1,408 million (US$13 million). This was mainly due to a decline of ¥4,249 million (US$40 million) in loans compared with a ¥5,265 million increase for the previous term. The decline in loans is attributable to a ¥7,000 million increase in loan assets removed from the balance sheet under an asset securitization scheme. A ¥1,114 million (US$11 million) loss on impairment of long-lived assets also contributed to the increase in the cash inflow.

Net cash provided by investing activities decreased by ¥564 million, or 15.5%, from the previous term’s ¥3,637 million to ¥3,073 million (US$29 million) for the term under review, despite ¥4,150 million (US$39 million) proceeds from collection of loans. This is attributable to a ¥2,039 million (US$19 million) payment for equity shares to purchase the consumer finance company Alco Corporation, and to a decline in proceeds from the sale of intangible assets to ¥1,795 million (US$17 million). In the previous term, proceeds from the sale of intangible assets amounted to ¥4,086 million due to the conclusion of leasing contracts for the in-house developed software used for the Company’s core computer systems.

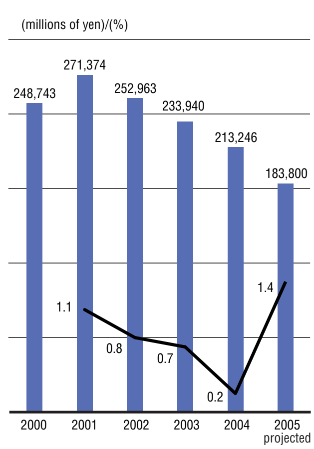
Net cash used in financing activities increased by ¥6,731 million, or 29.5%, over the previous term’s ¥22,830 million, to ¥29,561 million (US$279 million) in spite of a ¥17,200 million decrease in expenditure for redemption of bonds. This was the result of the non-repetition of ¥15,300 million proceeds from the issuance of convertible bonds in the previous term, a net decrease of ¥1,600 million in proceeds from issuance of bonds, and a ¥2,334 million larger amount of net reduction of outstanding long-term debt. In addition, short-term borrowings turned around to a ¥322 million (US$3 million) net outflow for the term from a ¥4,513 million net inflow for the previous term, which is also a contributing factor in the rise in the cash outflow.

As a result of the above, cash and cash equivalents decreased by ¥2,090 million, or 6.6%, during the term, to a term-end balance of ¥29,588 million (US$279 million).

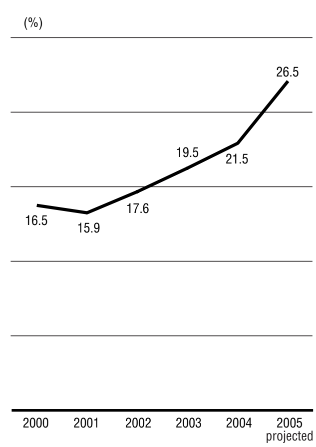
Bad Debt Write-Offs/ Ratio of Bad Debt Write-Offs to Financial Receivables



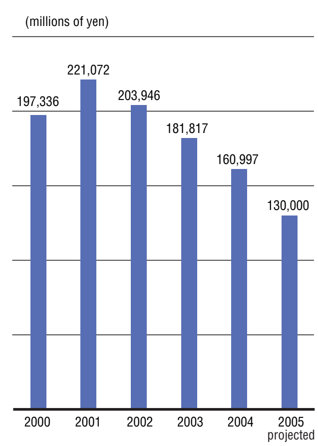
Total Assets/ Return on Assets



Equity Ratio



Interest-Bearing Debt



Consolidated Balance Sheets

Shinki Co., Ltd. and Subsidiaries
March 31, 2003 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	**2004**	**2004**
ASSETS			
Assets:			
Finance receivables, net (Notes 4 and 8)	¥162,684	**¥144,791**	**$1,365,953**
Cash and cash equivalents	31,678	**29,588**	**279,132**
Investments in securities (Notes 5 and 8)	2,130	**1,126**	**10,623**
Property and equipment, net (Notes 6 and 8)	9,343	**8,221**	**77,557**
Deferred tax assets (Note 12)	6,647	**7,338**	**69,226**
Other assets (Notes 7 and 16)	21,458	**22,182**	**209,264**
Total	¥233,940	**¥213,246**	**$2,011,755**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Short-term debt (Note 8)	¥ 90,168	**¥ 89,547**	**$ 844,783**
Long-term debt, less current portion (Note 8)	91,649	**71,450**	**674,057**
Income taxes payable (Note 12)	1,140	**48**	**453**
Accrued expenses and other liabilities (Notes 9 and 10)	5,281	**6,428**	**60,641**
Total liabilities	188,238	**167,473**	**1,579,934**
Minority interests	12	**13**	**123**
Shareholders' equity (Notes 11 and 20)**:**			
Common stock, authorized, 90,390,000 shares in 2003 and 180,120,000 shares in 2004; issued 45,030,000 shares in 2003 and 2004	5,016	**5,016**	**47,321**
Additional paid-in capital	5,483	**5,483**	**51,726**
Retained earnings	35,202	**35,087**	**331,009**
Unrealized gain (loss) on available-for-sale securities	(11)	**174**	**1,642**
Total shareholders' equity	45,690	**45,760**	**431,698**
Total	¥233,940	**¥213,246**	**$2,011,755**

See notes to consolidated financial statements.

Consolidated Statements of Income

Shinki Co., Ltd. and Subsidiaries
Years Ended March 31, 2000, 2001, 2002, 2003 and 2004

	Millions of Yen					Thousands of U.S. Dollars (Note 1)
	2000	2001	2002	2003	**2004**	**2004**
Revenues:						
Interest income, including discount revenue	¥40,832	¥49,624	¥45,274	¥39,975	**¥37,499**	**$353,764**
Other income (Note 13)	4,460	2,672	6,266	11,815	**15,839**	**149,425**
Total revenues	45,292	52,296	51,540	51,790	**53,338**	**503,189**
Expenses:						
Interest expense, including rediscount expense	6,871	7,691	6,867	5,975	**5,292**	**49,925**
Provision for credit losses (Note 4)	6,050	8,279	9,266	11,935	**16,018**	**151,113**
Bad debts (Note 4)	2,277	4,497	5,738	6,885	**4,930**	**46,509**
Salaries and fringe benefits	6,847	8,189	7,731	6,462	**6,406**	**60,434**
Other expenses (Note 14)	12,279	15,992	17,258	17,450	**19,284**	**181,925**
Total expenses	34,324	44,648	46,860	48,707	**51,930**	**489,906**
Income before income taxes and minority interests	10,968	7,648	4,680	3,083	**1,408**	**13,283**
Income taxes (Note 12)**:**						
Current	9,253	5,895	2,332	2,125	**469**	**4,425**
Deferred	(4,054)	(1,125)	331	(703)	**477**	**4,500**
Total income taxes	5,199	4,770	2,663	1,422	**946**	**8,925**
Minority interests in net income				1	**1**	**9**
Net income	¥5,769	¥ 2,878	¥ 2,017	¥ 1,660	**¥ 461**	**$ 4,349**
	Yen					U.S. Dollars
Per share of common stock (Notes 2.s and 18)**:**						
Basic net income	¥127.17	¥63.44	¥44.47	¥36.38	**¥9.95**	**$0.09**
Diluted net income				31.26		
Cash dividends applicable to the year	12.50	12.50	12.50	12.50	**12.50**	**0.12**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Shinki Co., Ltd. and Subsidiaries
Years Ended March 31, 2000, 2001, 2002, 2003 and 2004

	Thousands	Millions of Yen			
	Issued Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain (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	45,360	5,016	5,483	32,825	(52)
Net income				2,017	
Cash dividends, ¥12.50 per share				(567)	
Bonuses to directors				(16)	
Net increase in unrealized loss on available-for-sale securities					(86)
Balance, March 31, 2002	45,360	5,016	5,483	34,259	(138)
Net income				1,660	
Cash dividends, ¥12.50 per share				(567)	
Bonuses to directors				(16)	
Purchase and retirement of treasury stock	(330)			(134)	
Net decrease in unrealized loss on available-for-sale securities					127
Balance, March 31, 2003	45,030	5,016	5,483	35,202	(11)
Net income				**461**	
Cash dividends, ¥12.50 per share				**(563)**	
Bonuses to directors				**(13)**	
Net increase in unrealized gain on available-for-sale securities					**185**
Balance, March 31, 2004 (Note 20)	**45,030**	**¥5,016**	**¥5,483**	**¥35,087**	**¥174**

	Thousands of U.S. Dollars (Note 1)			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Available-for-Sale Securities
Balance, March 31, 2003	$47,321	$51,726	$332,094	$ (104)
Net income			**4,349**	
Cash dividends, $0.12 per share			**(5,311)**	
Bonuses to directors			**(123)**	
Net increase in unrealized gain on available-for-sale securities				**1,746**
Balance, March 31, 2004 (Note 20)	**$47,321**	**$51,726**	**$331,009**	**$1,642**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Shinki Co., Ltd. and Subsidiaries
Years Ended March 31, 2000, 2001, 2002, 2003 and 2004

	Millions of Yen					Thousands of U.S. Dollars (Note 1)
	2000	2001	2002	2003	**2004**	**2004**
Operating activities:						
Income before income taxes and minority interests	¥10,968	¥ 7,648	¥ 4,680	¥ 3,083	**¥ 1,408**	**$ 13,283**
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:						
Income taxes — paid	(4,490)	(9,749)	(5,368)	(1,344)	**(2,487)**	**(23,462)**
Depreciation and amortization	499	1,091	1,248	1,133	**1,015**	**9,575**
Loss on impairment of long-lived assets					**1,114**	**10,509**
Credit losses including provision for uncollectible loans	8,701	12,808	14,789	19,689	**20,524**	**193,623**
Decrease (increase) in financial loans made to customers	(62,913)	(29,465)	6,144	(5,265)	**4,249**	**40,085**
Other — net	(1,469)	(1,805)	(421)	1,389	**(1,425)**	**(13,444)**
Net cash provided by (used in) operating activities	(48,704)	(19,472)	21,072	18,685	**24,398**	**230,169**
Investing activities:						
Decrease (increase) in time deposits with maturities exceeding three months	(2,592)	2,261	950	(118)	**(129)**	**(1,217)**
Purchases of securities	(1,606)	(245)	(218)	(2)	**(111)**	**(1,047)**
Purchases of property and equipment	(1,085)	(1,271)	(466)	(285)	**(221)**	**(2,085)**
Purchase of intangible assets	(355)	(725)	(2,888)	(1,981)	**(1,255)**	**(11,840)**
Proceeds from sales of intangible assets				4,086	**1,795**	**16,934**
Long-term loans made	(1,965)	(2,185)				
Proceeds from collections of loans					**4,150**	**39,151**
Payment for purchase of subsidiaries, net of cash acquired (Note 19)			(7)		**(2,039)**	**(19,236)**
Other — net	(1,721)	351	(255)	1,937	**883**	**8,331**
Net cash provided by (used in) investing activities	(9,324)	(1,814)	(2,884)	3,637	**3,073**	**28,991**
Financing activities:						
Proceeds from issuance of long-term debt	124,554	109,315	75,849	56,380	**48,850**	**460,849**
Repayments of long-term debt	(73,954)	(69,307)	(84,140)	(83,022)	**(77,526)**	**(731,377)**
Increase (decrease) in short-term debt	23,087	(16,270)	(8,835)	4,513	**(322)**	**(3,038)**
Purchase of treasury stock				(134)		
Cash dividends paid	(567)	(567)	(567)	(567)	**(563)**	**(5,311)**
Net cash provided by (used in) financing activities	73,120	23,171	(17,693)	(22,830)	**(29,561)**	**(278,877)**
Net increase (decrease) in cash and cash equivalents	15,092	1,885	495	(508)	**(2,090)**	**(19,717)**
Cash and cash equivalents, beginning of year	14,714	29,806	31,691	32,186	**31,678**	**298,849**
Cash and cash equivalents, end of year	¥29,806	¥ 31,691	¥32,186	¥31,678	**¥29,588**	**$279,132**
Additional cash flows information:						
Interest paid	¥ 6,460	¥ 7,151	¥ 6,851	¥ 6,131	**¥ 5,521**	**$ 52,085**

See 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 subsidiaries operate a consumer financing business, a temporary employee deployment business and advertising agency 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 generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2000, 2001, 2002 and 2003 financial statements to conform to the classifications used in 2004. 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 ¥106 to $1, the approximate rate of exchange at March 31, 2004. 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 subsidiaries (together, the "Group").

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition (consolidation goodwill) is being amortized over a period of 5 years.

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) *Revenue Recognition* — Interest income from finance receivables is recognized on an accrual basis. Accrued interest income at the balance sheet date is accrued 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* — The write-off of finance receivables is made on the basis of evidence that clearly demonstrates the uncollectibility of the unpaid balances. 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.

d) *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 their 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 as 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, 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 ($1,627 thousand) for the year ended March 31, 2001.

f) *Property and Equipment* — Property and equipment is 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 equipment.

g) *Long-Lived Assets* — In August 2002, the Business Accounting Council issued a Statement of Opinion, *Accounting for Impairment of Fixed Assets*, and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No. 6, *Guidance for Accounting Standard for Impairment of Fixed Assets*. These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets during the year ended March 31, 2004.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the year ended March 31, 2004 by ¥1,114 million ($10,509 thousand).

h) *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."

i) *Intangible Assets* — Software and goodwill on purchase of loans to consumers are included in "Other assets" and carried at cost less accumulated amortization, which is calculated by the straight-line method principally over 5 years for both software and goodwill.

j) *Bond Issue Costs* — Bond issue costs are amortized by the straight-line method over the period from issuance to redemption or three years, whichever shorter (see Note 3).

k) *Bond Discount Cost* — Bond discount cost is amortized by the straight-line method over the period from issuance to redemption.

l) *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 asset of ¥107 million ($1,009 thousand) as of April 1, 2000 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 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. Payments of retirement benefits to directors and corporate auditors are subject to approval of the shareholders in accordance with the Japanese Commercial Code.

m) *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.

n) *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.

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

p) *Appropriations of Retained Earnings* — Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

q) *Foreign Currency Transactions* — 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 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.

The adoption of the revised accounting standard did not have a material effect on the consolidated financial statements.

r) *Derivatives and Hedging Activities* — The Company uses derivative financial instruments to manage its exposures to fluctuations in interest 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 are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on those derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps 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 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 and the premium under the option agreements are recognized and included in interest expense or income.

The Company's policy is to use derivatives only for the purpose of hedging. 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 of the Company.

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

s) *Per Share Information* — Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the ASB. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax. Basic net income and diluted net income per share for the years ended March 31, 2003 and 2004 are computed in accordance with the new standard.

The per share information in 2000, 2001 and 2002 was not restated since the adoption of the new standard did not have a material effect on these periods.

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 bond issue costs over the period from issuance to redemption or three years, whichever shorter 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 bond issue costs. The effect of this change was to increase income before income taxes by ¥164 million ($1,547 thousand) for the year ended March 31, 2001.

4. FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES

Finance receivables at March 31, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	**2004**	**2004**
Loans to consumers:			
Unsecured loans	¥125,024	**¥141,298**	**$1,333,000**
Secured loans (a)	732	**839**	**7,915**
Sub-total	125,756	**142,137**	**1,340,915**
Loans to business enterprises:			
Unsecured loans on bill	17		
Unsecured loans on deed	5,291	**2,325**	**21,934**
Unsecured revolving loans	62,608	**65,165**	**614,764**
Secured loans (a)	10,606	**6,078**	**57,340**
Sub-total	78,522	**73,568**	**694,038**
Past-due and restructured loans — 181 days or more past due:			
Past due loans	790	**581**	**5,481**
Restructured loans	305	**44**	**415**
Sub-total	1,095	**625**	**5,896**
Total finance receivables	205,373	**216,330**	**2,040,849**
Off balance due to securitizations	(28,270)	**(52,348)**	**(493,849)**
Allowance for credit losses	(14,419)	**(19,191)**	**(181,047)**
Finance receivables, net	¥162,684	**¥144,791**	**$1,365,953**

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

Finance receivables at March 31, 2004 include revolving loans with credit limits to consumers and business enterprises of ¥130,305 million ($1,229,292 thousand). The remaining available credit at March 31, 2004 was ¥75,672 million ($713,887 thousand), including ¥51,096 million ($482,038 thousand) to customers who had no outstanding loans at that date. As some revolving loan contracts terminate without loan originations, the remaining available credit does not necessarily affect the Group's cash flows. The revolving loan contracts contain stipulations that the Company may reduce credit limits or suspend loans in cases of changes in customers credit standing, changes in the economic conditions and other reasons. Further, the Company reviews credit history of customers and reconsiders contract terms regularly.

The primary effective annual interest rates applicable to the finance receivables at March 31, 2003 and 2004 were as follows:

	2003	**2004**
Loans to consumers:		
Unsecured loans	22.50 — 29.20%	**22.50 — 29.20%**
Loans to business enterprises:		
Unsecured loans on bill	15.00 — 26.00	
Unsecured loans on deed	15.00 — 29.00	**15.00 — 29.00**
Unsecured revolving loans	21.00 — 27.50	**21.00 — 27.50**
Secured loans	7.00 — 15.00	**7.00 — 15.00**

Changes in the allowance for credit losses for the years ended March 31, 2003 and 2004 are shown below:

	Millions of Yen		Thousands of U.S. Dollars
	2003	**2004**	**2004**
Balance at beginning of year	¥11,189	**¥14,419**	**$136,028**
Addition (a)	13,005	**17,767**	**167,613**
Deduction:			
Write-offs (b)	9,568	**12,839**	**121,123**
Recoveries	207	**156**	**1,471**
Balance at end of year	¥14,419	**¥19,191**	**$181,047**

(a) Including a ¥1,596 million ($15,057 thousand) addition due to the consolidation of Alco Co., Ltd. in 2004.
(b) 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, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	**2004**	**2004**
Current:			
Government bonds	¥1,177		
Non-current:			
Equity securities	¥ 577	**¥ 686**	**$ 6,472**
Trust fund investments and other	376	**440**	**4,151**
Total	¥ 953	**¥1,126**	**$10,623**

The carrying amounts and aggregate fair values of investments in securities at March 31, 2003 and 2004 were as follows:

	Millions of Yen			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 589	¥53	¥76	¥ 566
Debt securities	1,173	4		1,177
Trust fund investments and other	376			376

	Millions of Yen			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	**¥525**	**¥153**	**¥3**	**¥675**
Trust fund investments and other	**297**	**143**		**440**

	Thousands of U.S. Dollars			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	**$4,953**	**$1,443**	**$28**	**$6,368**
Trust fund investments and other	**2,802**	**1,349**		**4,151**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2003 and 2004 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2003	**2004**	**2004**
Equity securities	¥11	**¥11**	**$104**

6. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	**2004**	**2004**
Land	¥ 5,647	**¥ 4,870**	**$ 45,943**
Buildings	4,588	**4,734**	**44,660**
Structures	494	**575**	**5,425**
Vehicles	5	**5**	**47**
Furniture and fixtures	1,725	**1,781**	**16,802**
Total	12,459	**11,965**	**112,877**
Less accumulated depreciation	(3,116)	**(3,744)**	**(35,320)**
Property and equipment, net	¥ 9,343	**¥ 8,221**	**$ 77,557**

During fiscal 2004, the Company recorded an impairment loss on certain land and buildings of ¥775 million ($7,311 thousand) and ¥20 million ($189 thousand), respectively in connection with the adoption of the new accounting standard (see Note 2.g). Such loss has been offset against land and buildings balances.

7. OTHER ASSETS

Other assets at March 31, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	**2004**	**2004**
Accrued interest income	¥ 1,175	**¥ 1,608**	**$ 15,170**
Prepaid expenses	2,034	**2,137**	**20,160**
Guarantee deposits	3,335	**3,273**	**30,877**
Investments in credit and finance associations	109	**99**	**934**
Time deposits with maturities exceeding three months	2,819	**2,948**	**27,811**
Current portion of long-term loans	4,150		
Goodwill on purchase of loans to consumers	288	**135**	**1,274**
Consolidation goodwill		**1,465**	**13,821**
Development costs of software in progress	671		
Other	6,877	**10,517**	**99,217**
Total	¥21,458	**¥22,182**	**$209,264**

8. SHORT-TERM AND LONG-TERM DEBT

Short-term debt at March 31, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	**2004**	**2004**
Short-term borrowings from banks and other finance companies, principally from 2.1% to 3.1% in 2003 and from 1.5% to 6.2% in 2004:			
Secured	¥ 6,500	**¥ 5,190**	**$ 48,962**
Unsecured	10,783	**13,421**	**126,613**
Total	17,283	**18,611**	**175,575**
Commercial paper from finance companies, principally from 1.3% to 1.6% in 2003 and from 1.2% to 1.9% in 2004: Unsecured	9,780	**8,930**	**84,246**
Current portion of long-term debt	63,105	**62,006**	**584,962**
Total short-term debt	¥90,168	**¥89,547**	**$844,783**

Information on the amount of short-term borrowings outstanding during 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	**2004**	**2004**
Maximum month-end balance outstanding during the year	¥17,283	**¥18,875**	**$178,066**
Average month-end balance outstanding during the year	14,294	**12,233**	**115,406**
Weighted average interest rate for the year	2.272%	**2.115%**	

Long-term debt at March 31, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	**2004**	**2004**
Bonds, unsecured:			
3.00% debentures due 2004	¥ 10,000	**¥ 10,000**	**$ 94,340**
2.61% debentures due 2003	5,000		
3.00% debentures due 2005	10,000	**10,000**	**94,340**
2.35% debentures due 2005	10,000	**10,000**	**94,340**
4.50% convertible bonds due 2012	15,300	**15,300**	**144,340**
1.57% debentures due 2003	2,000		
2.70% debentures due 2004	400	**400**	**3,774**
Long-term borrowings from banks, insurance companies and other finance companies, due serially through 2008 — principally from 1.5% to 4.7% in 2003 and from 2.0% to 6.0% in 2004:			
Secured	89,442	**76,365**	**720,426**
Unsecured	12,612	**11,391**	**107,459**
Total	154,754	**133,456**	**1,259,019**
Less current portion	(63,105)	**(62,006)**	**(584,962)**
Long-term debt, less current portion	¥ 91,649	**¥ 71,450**	**$ 674,057**

Annual maturities of long-term debt at March 31, 2004, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 62,006	$ 584,962
2006	41,403	390,594
2007	12,520	118,113
2008	1,883	17,764
2009 and thereafter	15,644	147,586
Total	¥133,456	$1,259,019

The conversion price of the 4.50% convertible bonds was ¥606 per share and the convertible bonds were convertible into 25,248 thousand shares of the Company's common stock at March 31, 2004. The conversion price is subject to adjustments in certain circumstances.

With respect to certain borrowings from banks and other finance companies in an aggregate amount of ¥16,000 million ($150,943 thousand) and convertible bonds of ¥15,300 million ($144,340 thousand) maturity may be accelerated if one or more of the following events occur:

1) The net assets ratio, with securitized assets included, falls below 16.5% (this event may be amended by mutual agreement).
2) The amount of net assets minus total intangible fixed assets falls below ¥35,000 million ($330,189 thousand).

The carrying amounts of assets pledged as collateral for short-term and long-term debt at March 31, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Finance receivables	¥82,884	$781,925
Investments in securities	451	4,255
Buildings and structures	1,221	11,519
Land	4,689	44,236
Others	726	6,848
Total	¥89,971	$848,783

The Company has a revolving credit facility. The credit limit and the outstanding credit are ¥10,000 million ($94,340 thousand) at March 31, 2004, respectively.

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 Group has not received such a request.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities at March 31, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	**2004**	**2004**
Accrued employees' bonuses	¥ 372	**¥ 413**	**$ 3,896**
Miscellaneous payables	1,141	**1,318**	**12,434**
Liability for retirement benefits to directors and corporate auditors (see Note 10)	106	**129**	**1,217**
Guarantee deposits received	153	**164**	**1,547**
Accrued expenses	703	**712**	**6,717**
Deposits received	1,185	**2,389**	**22,538**
Other	1,621	**1,303**	**12,292**
Total	¥5,281	**¥6,428**	**$60,641**

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, 2003 and 2004 amounted to ¥106 million and ¥129 million ($1,217 thousand), respectively, and was included in "Accrued expenses and other liabilities" (see Note 9).

The liability for employees' retirement benefits at March 31, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	**2004**	**2004**
Projected benefit obligation	¥633	**¥702**	**$6,623**
Fair value of plan assets	(562)	**(603)**	**(5,689)**
Unrecognized actuarial gain (loss)	(77)	**21**	**198**
Unrecognized transitional asset	43	**21**	**198**
Net liability	¥ 37	**¥141**	**$1,330**

The liability for employees' retirement benefits was included in "Accrued expenses and other liabilities."

The components of net periodic benefit costs for the years ended March 31, 2001, 2002, 2003 and 2004 are as follows:

	Millions of Yen				Thousands of U.S. Dollars
	2001	2002	2003	**2004**	**2004**
Service cost	¥86	¥106	¥100	**¥120**	**$1,132**
Interest cost	15	16	12	**12**	**114**
Expected return on plan assets	(19)	(8)	(4)	**(4)**	**(38)**
Recognized actuarial loss		38	24	**28**	**264**
Amortization of transitional asset	(21)	(21)	(21)	**(21)**	**(198)**
Net periodic benefit costs	¥61	¥131	¥111	**¥135**	**$1,274**

Assumptions used for the years ended March 31, 2001, 2002, 2003 and 2004 are set forth as follows:

	2001	2002	2003	**2004**
Discount rate	3.0%	2.0%	2.0%	**2.0%**
Expected rate of return on plan assets	3.5%	1.5%	0.75%	**0.75%**
Recognition period of actuarial gain or loss	5 years	5 years	5 years	**5 years**
Amortization period of transitional asset	5 years	5 years	5 years	**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, 2003 and 2004, 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.

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

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

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.

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

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning

April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥34,741 million ($327,745 thousand) as of March 31, 2004, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by 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.

12. INCOME TAXES

The Company and its subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42.0% for each of the five years in the period ended March 31, 2004.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	**2004**	**2004**
Deferred tax assets:			
Bad debts	¥3,471	**¥3,896**	**$36,755**
Allowance for credit losses	3,235	**2,595**	**24,481**
Tax loss carryforwards	25	**30**	**283**
Other	520	**1,260**	**11,886**
Less valuation allowance	(37)	**(48)**	**(453)**
Total	7,214	**7,733**	**72,952**
Deferred tax liabilities	567	**395**	**3,726**
Net deferred tax assets	¥6,647	**¥7,338**	**$69,226**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of income for each of the five years in the period ended March 31, 2004 was as follows:

	2000	2001	2002	2003	**2004**
Normal effective statutory tax rate	42.0%	42.0%	42.0%	42.0%	**42.0%**
Additional taxes on undistributed profits of a family company	5.3	8.6	3.4	4.2	
Inhabitant tax per capita	0.9	1.4	2.1	3.1	**6.5**
Additional taxes from tax investigation	2.3				
Adjustment of prior year deferred taxes		10.9	11.5		
Adjustment of prior year taxes payable				(5.8)	
Effect of tax rate reduction				1.1	**11.9**
Amortization of consolidation goodwill					**4.9**
Other — net	(3.3)	(0.5)	(2.1)	1.6	**1.9**
Actual effective tax rate	47.2%	62.4%	56.9%	46.2%	**67.2%**

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 42% to 40.7%, effective for years beginning on or after April 1, 2004. The effect of this change was to decrease net deferred tax assets by ¥34 million ($321 thousand) and increase income taxes-deferred by ¥34 million ($321 thousand) in the consolidated financial statements for the year ended March 31, 2003.

13. OTHER INCOME

Other income for each of the five years in the period ended March 31, 2004 consisted of the following:

	Millions of Yen					Thousands of U.S. Dollars
	2000	2001	2002	2003	**2004**	**2004**
Fees received for origination of loans and other	¥1,113	¥ 225	¥ 203	¥ 238	**¥ 305**	**$ 2,877**
Recoveries of loans previously written off	494	555	607	696	**518**	**4,887**
Income from purchased finance receivables	1,579					
Rental income	107	114	114	110	**102**	**962**
Revenue from temporary employee deployment business	769	976	1,452	1,807	**2,837**	**26,764**
Earnings on beneficial interests in trust of financial loans			3,335	8,313	**11,501**	**108,500**
Other	398	802	555	651	**576**	**5,435**
Total	¥4,460	¥2,672	¥6,266	¥11,815	**¥15,839**	**$149,425**

14. OTHER EXPENSES

Other expenses for each of the five years in the period ended March 31, 2004 consisted of the following:

	Millions of Yen					Thousands of U.S. Dollars
	2000	2001	2002	2003	**2004**	**2004**
Cost from temporary employee deployment business	¥ 586	¥ 725	¥ 1,114	¥ 1,456	**¥ 2,302**	**$ 21,717**
Advertising	2,492	3,055	2,744	2,247	**2,420**	**22,830**
Rent	2,829	3,905	4,271	3,970	**5,175**	**48,821**
Communication	1,122	1,497	1,262	1,018	**877**	**8,274**
Sundry taxes and dues	676	891	916	841	**914**	**8,623**
Depreciation and amortization	499	1,091	1,248	1,133	**1,015**	**9,575**
Commission expense	985	1,557	1,304	2,250	**2,148**	**20,264**
Amortization of expenses for securitizations of finance receivables			510			
Credit losses due to civil conciliation				863		
Loss on impairment of long-lived assets					**1,114**	**10,509**
Other	3,090	3,271	3,889	3,672	**3,319**	**31,312**
Total	¥12,279	¥15,992	¥17,258	¥17,450	**¥19,284**	**$181,925**

The Group reviewed its long-lived assets for impairment as of the year ended March 31, 2004 and, as a result, recognized an impairment loss as other expense for principally certain idle land and buildings and the carrying amount of the relevant assets was written down to the recoverable amount, which was measured at the net selling price based on the standard value announced by the tax authorities.

15. LEASES

The Group 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, 2004 were as follows:

	Millions of Yen					Thousands of U.S. Dollars
	2000	2001	2002	2003	**2004**	**2004**
Total lease payments under finance leases	¥760	¥1,139	¥1,294	¥1,303	**¥2,427**	**$22,896**

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, 2003 and 2004 was as follows:

	Millions of Yen		
	2003		
	Furniture and Fixtures	Software	Total
Acquisition cost	¥6,280	¥4,170	¥10,450
Accumulated depreciation	(3,289)	(277)	(3,566)
Net leased property	¥2,991	¥3,893	¥ 6,884

	Millions of Yen		
	2004		
	Furniture and Fixtures	Software	Total
Acquisition cost	**¥5,231**	**¥5,923**	**¥11,154**
Accumulated depreciation	**(3,170)**	**(1,383)**	**(4,553)**
Net leased property	**¥2,061**	**¥4,540**	**¥ 6,601**

	Thousands of U.S. Dollars		
	2004		
	Furniture and Fixtures	Software	Total
Acquisition cost	**$49,349**	**$55,877**	**$105,226**
Accumulated depreciation	**(29,906)**	**(13,047)**	**(42,953)**
Net leased property	**$19,443**	**$42,830**	**$ 62,273**

	Millions of Yen		Thousands of U.S. Dollars
	2003	**2004**	**2004**
Obligations under finance leases:			
Due within one year	¥2,059	**¥2,186**	**$20,623**
Due after one year	5,216	**4,547**	**42,896**
Total	¥7,275	**¥6,733**	**$63,519**

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 five years in the period ended March 31, 2004, 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	2002	2003	**2004**	**2004**
Depreciation expense	¥701	¥1,052	¥1,187	¥1,297	**¥2,255**	**$21,274**
Interest expense	79	107	107	92	**225**	**2,123**

The minimum rental commitments under noncancellable operating leases at March 31, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥4	$38
Due after one year	5	47
Total	¥9	$85

16. DERIVATIVES

The Company had the following derivatives contract outstanding at March 31, 2004:

	Millions of Yen			
	Nominal Amount			
	Total	Due after One Year	Fair Value	Unrealized Loss
Interest rate cap purchased	¥14,000	¥—	¥1	¥62
Option fees	[63]			

	Thousands of U.S. Dollars			
	Nominal Amount			
	Total	Due after One Year	Fair Value	Unrealized Loss
Interest rate cap purchased	$132,075	$—	$9	$585
Option fees	[594]			

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

Option fees paid are included in other assets.

17. CONTINGENT LIABILITIES

As of March 31, 2004, contingent liabilities for notes discounted with banks with recourse and guarantees of loans of the Company's customers are ¥80 million ($755 thousand) and ¥396 million ($3,736 thousand), respectively.

18. NET INCOME PER SHARE

The weighted average number of share used for the computation of basic net income per share ("EPS") was 45,029 thousand shares for the year ended March 31, 2004, 45,270 thousand shares for the year ended March 31, 2003 and 45,360 thousand shares for the years ended March 31, 2000, 2001 and 2002.

A reconciliation of the difference between basic and diluted EPS for the year ended March 31, 2003 is as follows:

	Yen in Millions	Thousands of Shares	Yen
For the year ended March 31, 2003:	Net Income	Weighted Average Shares	EPS
Basic EPS:			
Net income available to common shareholders	¥1,647	45,270	¥36.38
Effect of dilutive securities:			
Convertible bonds	383	19,671	
Diluted EPS:			
Net income for computation	¥2,030	64,941	¥31.26

Diluted EPS for the year ended March 31, 2004 is not disclosed because it is anti-dilutive. The Company did not have securities or contingent stock agreements that could dilute EPS in the years ended March 31, 2000, 2001 and 2002.

19. SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF CASH FLOWS

The Company acquired all shares of Excel Jinzai Haken Center Co., Ltd. in August 2003 (which was merged with the Company's subsidiary, Careerlink Co., Ltd. in October 2003) and Alco Corporation in December 2003. The assets and liabilities of the two companies upon consolidation with the Company and a reconciliation between the acquisition cost and net cash used for the acquisition are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Assets acquired	¥9,965	$94,009
Liabilities assumed	(9,113)	(85,972)
Goodwill	1,617	15,255
Acquisition cost	2,469	23,292
Cash and cash equivalents	(430)	(4,056)
Net cash used for acquisition	¥2,039	$19,236

20. SUBSEQUENT EVENT

Appropriations of Retained Earnings

On June 29, 2004, the shareholders authorized the payments of (1) cash dividends to shareholders of record at March 31, 2004 of ¥12.5 ($0.12) per share or a total of ¥563 million ($5,311 thousand), and (2) bonuses to directors of ¥13 million ($123 thousand).

21. RELATED PARTY TRANSACTIONS

Transactions of the Company with Mr. Naoyoshi Maeda (Representative Director and Chairman of the Company until June 28, 2002, a member of the Maeda Family), Success Co., Ltd. and Excel Jinzai Haken Center Co., Ltd. (companies owned by the Maeda family) for each of the five years in the period ended March 31, 2004 were as follows:

	Millions of Yen					Thousands of U.S. Dollars
	2000	2001	2002	2003	**2004**	**2004**
Rental expense	¥10	¥27	¥55	¥51	**¥51**	**$481**
Secondment expense for employees	26	34	10	2		
Rental income	7	52	38	38	**31**	**292**

The balances due to or from the Company with Mr. Naoyoshi Maeda, Success Co., Ltd. and Excel Jinzai Haken Center Co., Ltd. at March 31, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	**2004**	**2004**
Guarantee deposits receivable	¥40	**¥40**	**$377**
Guarantee deposits payable	73	**73**	**689**

22. SEGMENT INFORMATION

Under Japanese accounting regulations, the Group is not required to disclose industry segment information because its main industry segment, financing services to consumers and business enterprises, represented more than 90% of its operations.

Geographic segment information and information for overseas revenues is not disclosed because the Group has no overseas operations nor foreign consolidated subsidiaries.

Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu
Osaka Kokusai Building
2-3-13, Azuchi-machi
Chuo-ku, Osaka 541-0052
Japan
Tel:+81 6 6261 1381
Fax:+81 6 6261 1238
www.deloitte.com/jp

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

We have audited the accompanying consolidated balance sheets of Shinki Co., Ltd. and subsidiaries as of March 31, 2003 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the five years in the period ended March 31, 2004, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shinki Co., Ltd. and subsidiaries as of March 31, 2003 and 2004, and the consolidated results of their operations and their cash flows for each of the five years in the period ended March 31, 2004, in conformity with accounting principles generally accepted in Japan.

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.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for bond issue costs as of April 1, 2000.

As discussed in Note 2.g to the consolidated financial statements, the Group adopted the new accounting standard for impairment of fixed assets during the year ended March 31, 2004.

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

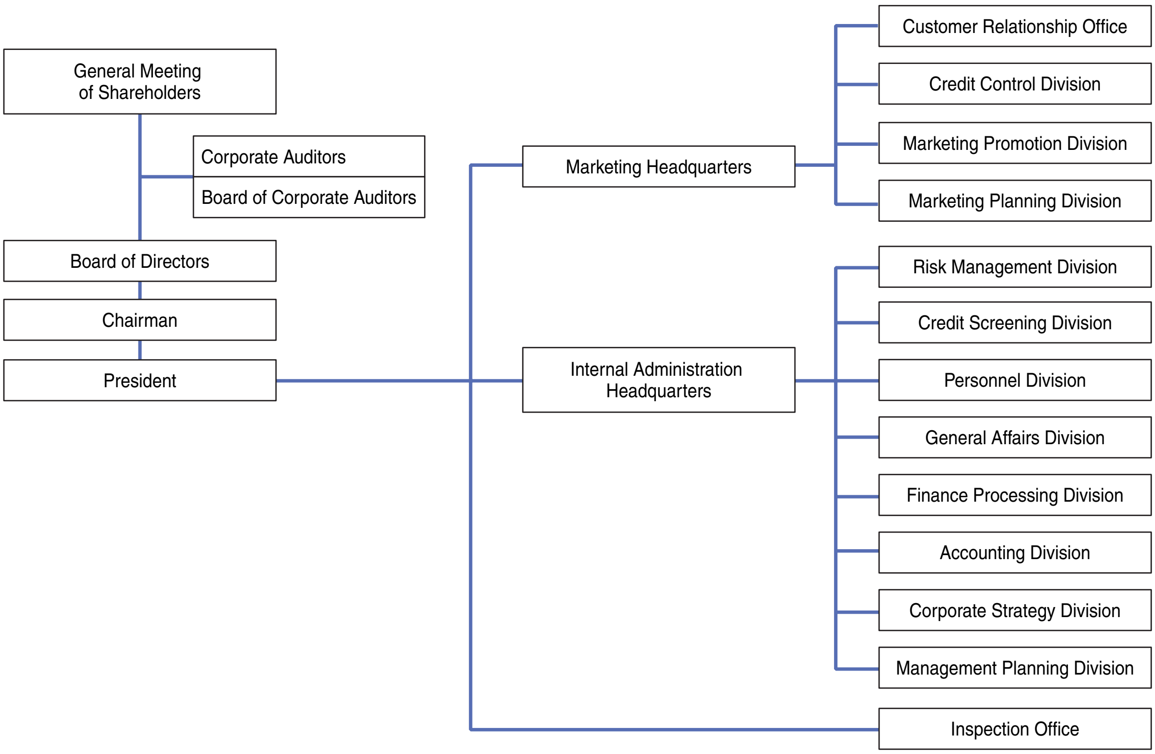
Deloitte Touche Tohmatsu

June 29, 2004

Member of
Deloitte Touche Tohmatsu

Organization Chart

(As of August 16, 2004)



A Brief History of Shinki

1950s

DECEMBER 1954
Company Founded

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

1970s

OCTOBER 1973
Head Office Moved

Head office moved to Himeji City, Hyogo Prefecture.

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.

1980s

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.

1990s

OCTOBER 1995
Company's Shares Registered for OTC Trading

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

Auto-Scoring System Introduced

Auto-scoring system introduced for the consumer finance division.

APRIL 1996
Automated Loan-Contract Machines Introduced

Automated loan-contract machines installed at eight branches.

OCTOBER 1996
NoLoan Launched

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

NOVEMBER 1996
First Call Center Established

First call center for consumer finance division established in Ikebukuro, Tokyo.

JULY 1997
Head Office Moved

Head office moved to Shinjuku, Tokyo.

OCTOBER 1997
Auto-Scoring System Widened

Introduced 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 Saitama City.

FEBRUARY 1999
Company's Shares 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

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

2000s

SEPTEMBER 2000
Company's Shares Listed on the First Section of the Tokyo Stock Exchange

JUNE 2001
NoLoan Business Launched

Began sale of *NoLoan Business*, industry's first revolving card product for small businesses.

MARCH 2002
Business Tie-Up Reached with Shinsei Bank, Ltd.

APRIL 2003
Replaced core operating system based on mainframe computer with PC-based distributed system

DECEMBER 2003
Acquired all shares in Alco Corporation, which became a consolidated subsidiary

Corporate Directory

(As of March 31, 2004)

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: 961

Board of Directors and Corporate Auditors

(As of June 27, 2004)

Chairman
Hitoshi Tsunemine

President
Naofumi Maeda

Directors & Managing Executive Officers
Sakao Ono
Yoshio Yoshino

Director & Executive Officer
Yasuhiro Aoki

Director
Ernfred M. Olsen

Executive Officers
Yasuo Takahara
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: 8,955
Shares Issued: 45,030,000
Major Shareholders (in units of 10,000 shares):

Naofumi Maeda President	1,108	(24.6%)
Think Data Co., Ltd. Property Insurance Company owned by Maeda Family	730	(16.2%)
Himejijujikai Foundation Charitable Fund (Chairman: Naoyoshi Maeda)	570	(12.7%)
Shinsei Bank, Ltd.	223	(4.9%)
Setsu Maeda	216	(4.8%)
The Master Trust Bank of Japan, Ltd.	116	(2.6%)
Japan Trustee Services Bank, Ltd.	106	(2.4%)
Success Corporation	100	(2.2%)
Naoyoshi Maeda	72	(1.6%)
Ryuko Sakamoto	60	(1.3%)

Stock Traded:
First Section of the Tokyo Stock Exchange, Inc.

Transfer Agent:
Mizuho Trust & Banking Co., Ltd.
1-17-7 Saga, Koto-ku, Tokyo 135-8722, Japan
Tel. (03) 3642-4004

Share Price (during the term):
High: ¥796
Low: ¥365

Changes in Issued Share Capital:

Date	Type of Issue
Oct. 1995	Share issuance through public offering (850,000 shares; issue price: ¥2,680) Share issuance through private placement (550,000 shares; issue price: ¥3,180)
May 1996	3-for-2 stock split
Aug. 1996	Share issuance through public offering (1,200,000 shares; issue price: ¥3,339)
May 1997	6-for-5 stock split
Nov. 1999	2-for-1 stock split
Mar. 2003	Retirement of shares in treasury (330,000 shares; total cost: ¥133,650,000)

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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