Shinki

Annual Report

2005

NO LOAN

Profile

Fifty Years of Progress

Shinki celebrated its 50th anniversary during the term under review. We have designated this important milestone as our "New Starting Line."

During the year, Shinsei Bank became our largest shareholder upon converting its convertible bondholdings into common stock, raising its equity stake in the Company to 39.1%. Our relationship with Shinsei Bank grew stronger as a result. Going forward, we will fulfill our principal role as the consumer finance arm of the Shinsei Bank Group, targeting renewed growth through aggressive advertising activities and expansion of our network.

A Brief History of Shinki

December 2004
Shinki celebrates its 50th anniversary.

October 2004
Shinsei Bank becomes Shinki's largest shareholder, with a 39.1% stake, upon converting convertible bonds into common stock.

January 2004
Completes a comprehensive centralization program, consolidating 91 staffed offices into large-scale branches in 11 locations.

December 2003
Acquires all shares in Alco Corporation, a medium-scale consumer finance company.

March 2002
Concludes business alliance agreement with Shinsei Bank, Ltd.

June 2001
Commences sales of "NoLoan Business," an unsecured card loan for small business operators.

September 2000
Shares listed on the First Section of the Tokyo Stock Exchange.

February 1999
Shares listed on the Second Section of the Tokyo Stock Exchange.

July 1997
Head office moved to Shinjuku, Tokyo.

October 1996
Launches "NoLoan," a new type of card loan charging no interest for the first seven days.

October 1995
Company's shares registered for OTC trading with the Japan Securities Dealers Association.

August 1984
Name changed to Shinki Co., Ltd.

August 1974
Begins offering unsecured loans to consumers.

December 1954
Founded as Shinki Shoji Co., Ltd., in Hyogo Prefecture, as a provider of loans to companies.

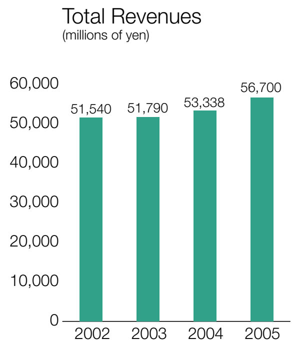
1950s 1970s 1980s 1990s 2000s

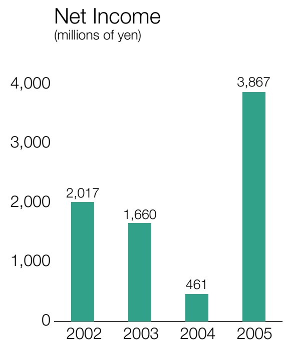
Consolidated Financial Highlights

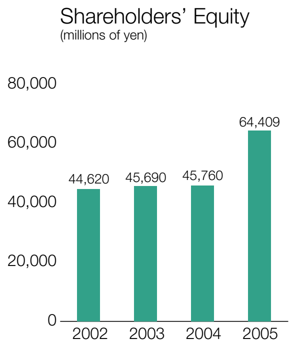
Shinki Co., Ltd. Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
For the fiscal year:			
Total revenues	¥ 53,338	**¥ 56,700**	**$ 529,907**
Net income	461	**3,867**	**36,140**
At year-end:			
Total assets	¥213,246	**¥180,215**	**$1,684,252**
Finance receivables, net	144,791	**121,054**	**1,131,346**
Shareholders' equity	45,760	**64,409**	**601,953**
Per share data (yen and U.S. dollars)**:**			
Basic net income	¥9.95	**¥67.45**	**$0.63**
Diluted net income			

Note:
U.S. dollar amounts represent translations of yen, for convenience only, at the rate of ¥107 to U.S.$1, the approximate exchange rate at March 31, 2005.







From Our President

Hitoshi Tsunemine, *President*

My name is Hitoshi Tsunemine. I was appointed as the new president of Shinki at the Company's Board of Directors meeting, held immediately after the closing of the 51st Ordinary General Meeting of Shareholders on June 29, 2005.

Since taking office as chairman in June 2004, I have steered the management of the Company in close cooperation with former President Naofumi Maeda, but Mr. Maeda recently decided to retire, leaving me to assume the responsibility of president.

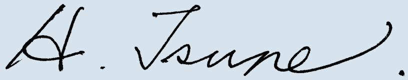
Fiscal 2004, ended March 2005, was the 50th year since the Company's founding. We have designated this important milestone as our "New Starting Line." During the year, we worked hard to improve profitability by expanding our two core financing products, "NoLoan" for consumers and "NoLoan Business" for small business operators, both of which provide customers with cashing services at zero interest rate for one week. We also strove to improve profitability through a comprehensive centralization program aimed at enhancing efficiency.

In another highlight, Shinsei Bank became the top shareholder of the Company, with a 39.1% equity stake. By reinforcing our relationship with Shinsei Bank, we are solidifying our foundation for renewed growth in the future.

Consolidated operating revenue in fiscal 2005 amounted to ¥56,454 million (US$528 million), up 6.4% from the previous year. Net income surged 738.5% to ¥3,867 million (US$36 million).

In the current fiscal period, ending March 2006, the Japanese economy is expected to remain on a recovery path despite some causes for concern, such as soaring crude oil prices.

As Japan's consumer finance industry enters a new chapter in its evolution, Shinki, now a member of the Shinsei Bank Group, will endeavor to strengthen its brand power in close cooperation with its largest shareholder.



Hitoshi Tsunemine
President

How would you describe the operating environment for Shinki?

The Japanese economy in fiscal 2004 saw favorable performances by some industrial sectors amid general recovery of the world economy. However, in the IT industry, a driver of economic growth, production and exports slowed. The pace of improvement in personal consumption also weakened due to such factors as natural disasters and unusual weather conditions. Meanwhile, the number of personal bankruptcies remained high, despite declining over the previous year due to a higher job opening ratio and a decrease in unemployment.

Responding to these challenges, the Shinki Group strove to expand its two mainstay loan card products — NoLoan for individuals and NoLoan Business for small business operators — both offering zero interest for one week. We also worked hard to raise profitability by upgrading our credit management capabilities, centralizing operations (small staffed offices were integrated into large-scale branches), and enhancing overall efficiency.

In December 2003, Shinki acquired all of the shares in Alco Corporation, a medium-scale consumer finance company, which subsequently became a consolidated subsidiary. Alco's operations in unsecured loans to consumers were split off and absorbed into Shinki's operations in June 2004.

Total finance receivables outstanding at fiscal year-end stood at ¥214,664 million, edging down ¥1,039 million, or 0.5%, from a year earlier, as the Company adopted more stringent criteria for its lending activities. The total figure includes off-balanced amounts of ¥45,353 million in unsecured loan receivables for consumers and ¥26,906 million in unsecured loan receivables for small businesses under securitization schemes.

As a result, operating revenue for the year grew ¥3,382 million, or 6.4%, to ¥56,454 million. The first full-year contribution by Alco, which the Company acquired during the fiscal period, helped boost operating revenue. Net income soared 738.5%, to ¥3,867 million (US$36 million), thanks to a number of factors. These included increased business efficiency stemming from the Company's aforementioned centralization program, as well as a decline in operating expenses as the Company suppressed advertising and promotional outlays. Other reasons included a decrease in write-off expenses stemming from a decline in personal bankruptcies.

What is the situation for your mainstay loan business?

In our loan business, we continued working to enhance the quality of our loan portfolio. Based on the transaction histories of customers and other factors, we calculate "behavior scores" that form the basis of decisions for our lending and collection strategies. By upgrading our credit strategies in this way, we strive to maintain and expand our sound loan portfolio.

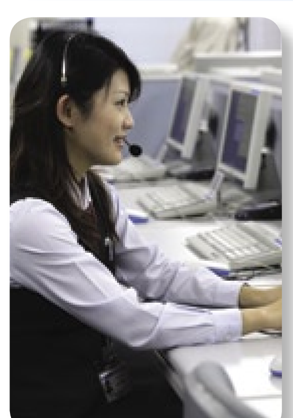
From the year under review, we have been proactively targeting the markets for unsecured, guaranteed loans, as well as loans secured by real estate. Alco is spearheading our advance into these businesses.

During the year, we continued our strategy of opening unstaffed branches. Adopting a scrap-and-build approach, we also moved various operations into more favorable locations with greater customer-drawing power. As a result, our network at fiscal year-end consisted of 462 unstaffed outlets and 13 staffed outlets (including two run by Alco), for a total of 475.

To improve convenience for customers, we formed ATM and cash dispenser network alliances with financial institutions. At fiscal year-end, these alliances covered 26,048 ATMs and cash dispensers, in addition to 470 ATMs set up by the Shinki Group, bringing the total to 26,518.

Operating revenue from the Group's loan business increased ¥1,263 million, or 2.5%, to ¥51,254 million on a consolidated basis.

In April 2005, the Company acquired Tohoku-based Pan Shinpan Co., Ltd., which had loan receivables outstanding of ¥9.7 billion at December 2004 and operating income of ¥2.5 billion for the year then ended. We intend to work swiftly to enhance the efficiency of Pan's business by offering our know-how related to loans and low-cost operations and making our ATM network infrastructure available to Pan Shinpan's customers.



Can you please describe the business environment for other Shinki Group companies?

Careerlink Co., Ltd., a subsidiary engaged mainly in the temporary staff business, reported net sales of ¥4,980 million. Another subsidiary, ad agency Picnic Ad Co., Ltd., posted net sales of ¥219 million.

In March 2005, the Company acquired SL Maple Ltd., from the Showa Leasing Group. SL Maple mainly acts as a life and nonlife insurance agency for companies in the Showa Leasing Group. Because it took place on March 31, 2005, the acquisition had no effect on Shinki's fiscal 2004 consolidated financial results.

Over the near future, we will concentrate our business resources in the financial services sector while raising operating efficiency and reinforcing our competitiveness. Our strategy to achieve these goals is to withdraw from businesses offering minimal synergies with financial service. Based on this strategy, we sold both Careerlink and Picnic Ad in due course through management buyouts.

Can you detail Shinki's medium- and long-term business strategies?

The Shinki Group is mainly involved in the consumer and small business finance sectors, which have become intensely competitive with the entry of banks and IT-related companies.

In response, we are seeking to become a high-profile consumer finance company by adopting innovative business models. To this end, we will work to expand our share of the market for unsecured, nonguaranteed loans by boosting our brand power. We have three specific strategies: (1) Pursue marketing activities based on scientific methods, (2) Continue implementing a meticulous risk management policy, and (3) Promote a business model focusing on centralization of operations. We will also maintain a proactive stance with respect to mergers and acquisitions.

How do you feel about Shinki's position in the industry?

In terms of operating assets, Shinki is regarded as a "quasi-leader" in the consumer finance industry. To achieve consist growth in earnings, we naturally need to boost operating revenue by broadening our asset base. This provides economies of scale, and also helps improve business efficiency.

To achieve these goals, we will actively open unstaffed outlets as our sales channels while stepping up advertising and promotional activities, in order to effectively raise the NoLoan brand profile. That is our strategy for the current fiscal period.

Specifically, how do you plan to enhance brand value?

Our main product is the NoLoan cashing card, which charges zero interest for the first week. Although this is an excellent product, it may not be properly understood by all consumers. By accurately conveying the superior features of NoLoan to potential customers, we believe we can increase brand value and further raise our market share.

In the current fiscal period, we will adopt a more aggressive approach to advertising and promotional activities, which we suppressed somewhat in the year under review. We will broaden our base of new customers while making effective use of the Internet, which requires lower investment costs relative to other advertising media.

It seems you have changed your advertising campaign character.

With the Oliver Kahn campaign, we successfully distinguished ourselves from the competition by promoting an image of trust, new ideas, and innovation. To lower the psychological hurdles for potential customers, we have decided to use a female character. Our aim here is to project an image of reliability and familiarity.

What is the Shinki Group's strategy in general and its M&A strategy in particular?

Shinki has become an equity-method affiliate of Shinsei Bank, Ltd., and we plan to make maximum use of Shinsei's resources and know-how. The Shinsei Bank Group contains nonbank companies besides Shinki, including a consumer credit and a leasing firm. However, we specialize in consumer finance services, which we will use to deepen ties with Shinsei Bank and other companies in the Shinsei Bank Group. We seek to make a contribution as a company that delivers total services to individuals.

Our own group is now organized along function-specific lines, with Shinki providing unsecured financing services, while Alco handles guaranteed loans and loans secured by real estate.

As for M&A, our plan is to improve profitability by expanding the scale of our operations in terms of customer base and market share. Consistent with this strategy, in December 2003 we made Alco into a wholly owned subsidiary. We also acquired Pan Shinpan, which is based in the Tohoku region. In the future, we will improve operating efficiency at Pan Shinpan by introducing our know-how related to low-cost operations and providing effective ATM and other service infrastructures for Pan Shinpan.

What about your credit management system?

Due to increasing personal bankruptcies, consumer finance companies are becoming more cautious in their lending practices. Meanwhile, banks and IT-related companies are entering the industry, causing competition to intensify. These factors have caused a slowdown in the growth rate of the loan balances of major consumer finance firms.

In response, our tasks are to expand the balance of loan receivables outstanding and secure solid profits by attracting new, high-level customers. At the same time, we will improve the quality of our loan portfolio through stringent credit management practices. The key to achieving this goal is our highly accurate system for "scoring" customers' creditworthiness. We are continuing to develop new score cards and build business models conducive to more effective operations.

What is your stance with respect to corporate governance?

At Shinki, we are working to build a management framework that facilitates swift and correct decision-making. We are also upgrading systems to ensure proper legal and ethical compliance. The basic role of corporate governance, in our opinion, is to enhance business transparency for all stakeholders, including customers, shareholders, and employees.

Can you describe your specific strategies for the future?

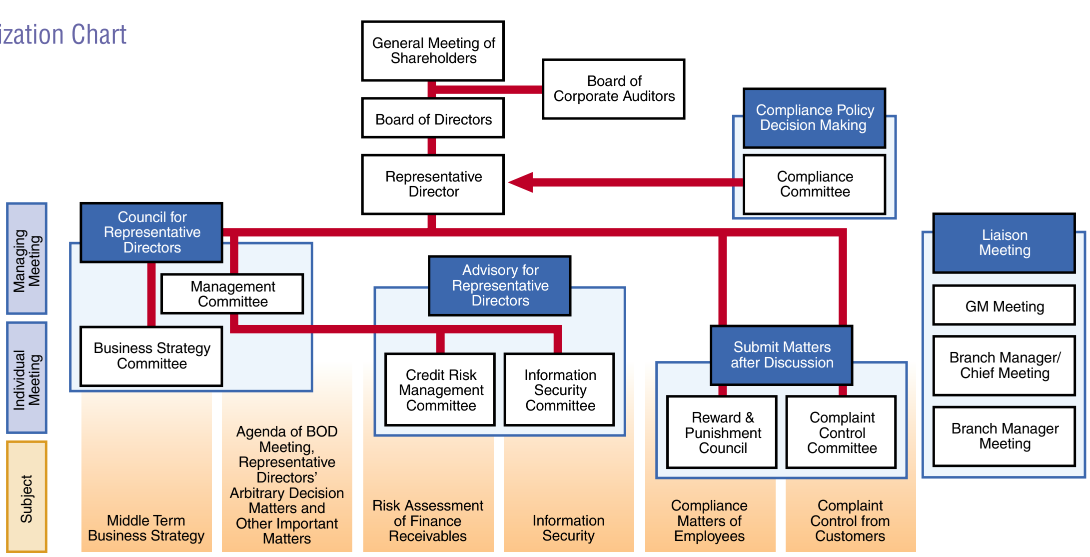
In the current fiscal year, we will strive to expand our loan portfolio to ensure medium- and long-term business development. This involves three key initiatives.

First, we will broaden our network to 650 outlets by March 2006 by actively opening unstaffed outlets. At present, we have 462 such outlets, equivalent to about one-third the level of the industry leaders. Perhaps we have been slow to develop our network in the past, but this means we have ample room for growth in the future.

Second, we will adopt more proactive advertising and promotional activities, which were restricted in fiscal 2004, in order to raise our brand profile. We will also make full use of the Internet as a sales channel, which entails much smaller investment outlays than conventional media, in our quest to broaden our customer base.

Third, we will complement organic growth, gained through aggressive network expansion and brand reinforcement, with an assertive M&A strategy. In this way, we will boost our operations through a larger customer base and market share, and thus improve profitability.

Organization Chart



While we worked to boost revenues from our mainstay *NoLoan* unsecured consumer loans and *NoLoan Business* — our mainline product in the corporate finance business — we also gave higher priority to improving profitability through the strengthening of our credit screening and monitoring functions. In addition, we made further progress in consolidating branches and increasing the efficiency of operations.

Total finance receivables showed a slight decline of 0.7%, ¥1,609 million from the previous term, to ¥214,721 million. This included off-balanced unsecured loan assets totaling ¥45,353 million (US$424 million) in consumer loans and ¥26,906 million in business loans. This decline is the result of stricter credit screening standards and the accelerated collection of loans to nonbank financial institutions (collateral-secured loans with low profitability). However, total revenues rose 6.3% to ¥56,700 million (US$530 million), which is mainly attributable to the inclusion of Alco Corporation into the scope of consolidation in December 2003.

Marketing System

We have replaced almost all of our nationwide network of staffed offices with unstaffed outlets, and reconfigured our network of outlets by targeting locations that are more likely to attract customers. The total number of offices operated by Shinki as of the end of the reporting term was 475, including 13 staffed offices. To enhance customer convenience, we have been concluding collaboration agreements with financial institutions concerning the operation of cash dispensers (CDs) and automatic teller machines (ATMs). The total number of CDs and ATMs managed by the institutions with which we had such agreements at the term-end came to 26,048. Combined with the 470 ATMs operated by the Shinki Group, this gives our customers access to our services through a total of 26,518 machines.

Consumer Finance

In June 2004, Group affiliate Alco Corporation spun off its operations handling unsecured loans to consumers, which were then taken over by the Shinki parent company.

Our total loans to consumers on a consolidated basis increased by ¥3,083 million, or 2.2%, during the term, to ¥145,220 million (US$1,357 million). Of this, *NoLoan* unsecured loans, which account for the overwhelming majority, amounted to ¥144,318 million (US$1,349 million), an increase of ¥3,020 million, or 2.1%.

The outstanding number of *NoLoan* loan accounts (approximately equivalent to the number of customers) as of the term-end stood at 318,678 accounts, down 8.4% year-on-year.

The value of unsecured loans extended to consumers whose repayment was overdue by one month or more increased by ¥379 million on a non-consolidated basis during the reporting period, to ¥3,694 million. The percentage of such loans to total unsecured loans was 2.61%, unchanged from the previous term.

The write-off amount of total unsecured loans stemming from individual consumers declaring bankruptcy rose ¥248 million, or 2.1%, to ¥12,055 million (US$113 million). The percentage of this amount to the total unsecured loan balance fell 0.78 percentage point to 8.51%.

Corporate Finance

The balance of loans to corporate customers at the term-end was down ¥4,123 million, or 5.6%, from the previous term-end, at ¥69,445 (US$649 million), mainly due to the accelerated collection of unprofitable secured loans to nonbank institutions. The value of accounts of *NoLoan Business*, the principal product in this category, decreased by 941 contracts, or 1.8%. However, on a value-basis, this figure rose, by ¥1,921 million (2.9%), to a term-end balance of ¥67,085 million (US$627 million). The balance of loans on deeds, which was a mainstay product in the past, decreased 42.5%, to ¥1,338 million (US$13 million).

The value of loans past due for one month or more declined by ¥637 million during the term, to a term-end balance of ¥1,602 million (US$15 million). The proportion of loans past due by one month or more to the total outstanding loan balance improved to 2.31% from 3.02% at the previous term-end. Out of the total of loans to corporate customers, the amount of bad debt written off (on a non-consolidated basis) rose by ¥72 million year-on-year, or 1.4%, to ¥5,279 million (US$49 million). The write-off ratio deteriorated by 0.58 percentage point, to 7.6%.

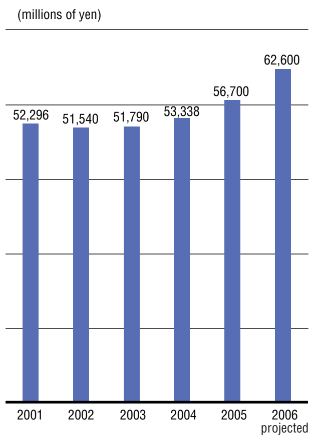
Five-Year Summary

Shinki Co., Ltd.
Years Ended March 31

	Millions of Yen					Thousands of U.S. Dollars
Consolidated	2001	2002	2003	2004	**2005**	**2005**
For the fiscal year:						
Total revenues	¥ 52,296	¥ 51,540	¥ 51,790	¥ 53,338	**¥ 56,700**	**$ 529,907**
Net income	2,878	2,017	1,660	461	**3,867**	**36,140**
At year-end:						
Total assets	¥271,374	¥252,963	¥233,940	¥213,246	**¥180,215**	**$1,684,252**
Finance receivables, net	198,031	177,101	162,684	144,791	**121,054**	**1,131,346**
Shareholders' equity	43,272	44,620	45,690	45,760	**64,409**	**601,953**
Per share data (yen and U.S. dollars)**:**						
Basic net income	¥63.44	¥44.47	¥36.38	¥9.95	**¥67.45**	**$0.63**
Diluted net income			31.26			
Financial ratios:						
Equity ratio	15.9%	17.6%	19.5%	21.5%	**35.7%**	
Return on equity	6.8%	4.6%	3.7%	1.0%	**7.0%**	
Ratio of net income to total revenues	5.5%	3.9%	3.2%	0.9%	**6.8%**	

Note
• U.S. dollar amounts represent translations of yen, for convenience only, at the rate of ¥107 to U.S.$1, the approximate exchange rate at March 31, 2005.

Total Revenues



Contents

Financial Review

(on a consolidated basis)

Loan Securitization

Off-balance-sheet assets due to securitization in the amounts of ¥72,259 million for the reporting term and ¥52,348 million for the previous term are included in the figures below for the loan balance.

Review of Operations

For the reporting period, the Company's total revenues rose 6.3% year-on-year, to ¥56,700 million (US$530 million). Interest income, including discount revenue, posted a year-on-year decline of 29.2%, to ¥26,557 million (US$248 million), in line with the increase in off-balance-sheet assets due to securitization in the amount of ¥72,259 million (US$675 million) — up ¥19,911 million over the figure for the previous term-end, or 38.0%.

In contrast, earnings on beneficial interests in trust of financial loans increased from ¥11,501 million for the previous term to ¥23,247 million (US$217 million).

Earnings on beneficial interests in trust of financial loans are earnings on loans entrusted to a third party, and are recorded by Shinki after the deduction of expenses incurred in the securitization process from the amount received as interest income on the loans. Shinki has employed securitization schemes for fund-procurement purposes. When securitization of loan assets is undertaken, the balance of earnings on beneficial interests in trust of financial loans increases, whereas interest income declines. Therefore, to evaluate the current status of the Company's operations, it is necessary to look at the combined total of interest income (finance receivables) and earnings on beneficial interests in trust of financial loans. This combined figure totaled ¥49,804 million, up 1.6% year-on-year, from ¥49,000 million.

Total expenses decreased by ¥2,693 million, or 5.2%, from the previous term-end, to ¥49,237 million (US$460 million) in the term under review. This decline in total expenses is attributable primarily to two factors. One factor is our tightening of credit requirements implemented in the current term, while we simultaneously developed marketing strategies based on marketing surveys and focused primarily on strategically reducing advertising expenses by ¥1,679 million, to ¥741 million from ¥2,420 million for the previous term. We are focusing our efforts this term on developing marketing strategies based on marketing surveys.

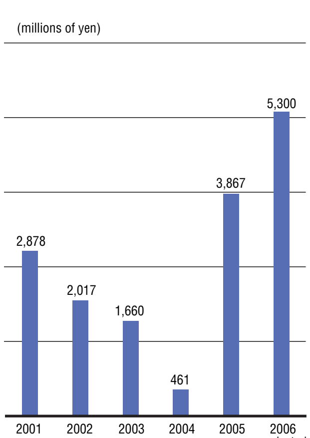
The other factor was a 5.3% decline in total credit costs (bad debts plus provisions for credit losses), from ¥20,948 million in the previous term, to ¥19,844 million (US$185 million). Although provisions for credit loss increased by 13.9% year-on-year to ¥18,244 million (US$171 million) from ¥16,018 million in the previous term, loss on write-offs of loans (bad debts) shrank 67.5%, from ¥4,930 million to ¥1,600 (US$15 million). In line with the increase in the securitized loan balance, interest expenses, including discount expenses, decreased 31.8% from ¥5,292 million in the previous term, to ¥3,609 million (US$34 million).

As a result, income before income taxes and minority interests came to 5.3 times the previous term's figure, rising from ¥1,408 million to ¥7,463 million (US$70 million). Income taxes came to ¥4,079 million (US$38 million) prior to application of tax-effect accounting, under which deferred income taxes totaled ¥473 million (US$4 million) in the minus column. Net income increased by ¥3,405 million, or more than 700%, to ¥3,867 million (US$36 million). Diluted EPS was ¥67.45 (US$0.63). The per-share dividend payment was ¥15 (US$0.14), marking an increase of ¥2.5.

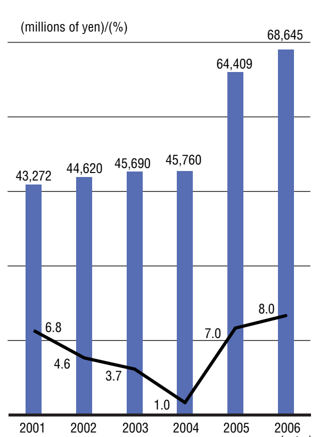
Financial Position

Total finance receivables at the end of the reporting term decreased 0.7% over the previous term-end, to ¥214,721 million (US$2,007 million). On the other hand, the amounts of the loan balance removed from

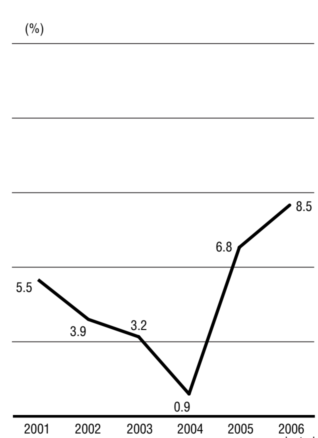
Net Income



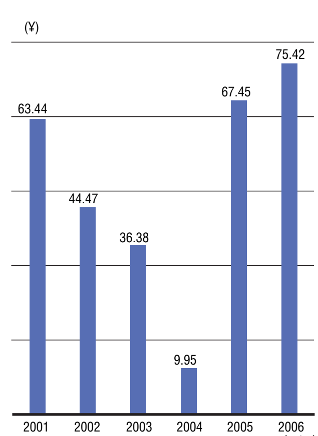
Shareholders' Equity/ Return on Equity



Ratio of Net Income to Total Revenues



Basic Net Income per Share*



*Adjusted for stock split

the balance sheets through securitization rose from ¥52,348 million at the previous term-end to ¥72,259 million (US$675 million). Accordingly, "finance receivables, net" as recorded on the balance sheet declined by 16.4% to ¥121,054 million (US$1,131 million) and total assets came to ¥180,215 million (US$1,684 million), marking a year-on-year decline of 15.5%.

On the liabilities side, total liabilities shrank by ¥51,670 million, or 30.9%, to ¥115,803 million (US$1,082 million) due to securitization. Long-term debt, less the current portion, was down ¥34,858 million, or 48.8%, at ¥36,592 million (US$342 million), while short-term debt also declined ¥20,179 million (22.5%), to ¥69,368 million (US$648 million). Income taxes payable surged to ¥4,088 million (US$38 million) from ¥48 million at the previous term-end.

Shareholders' equity grew from ¥45,760 million to ¥64,409 million (US$602 million). This was due primarily to the conversion of ¥15,300 million worth of convertible bonds held by Shinsei Bank into ordinary shares.

Cash Flows

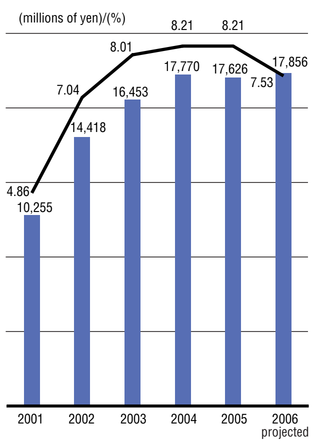
Net cash provided by operating activities increased ¥9,310 million, or 38.2%, from ¥24,398 million for the previous term to ¥33,708 million (US$315 million). This was mainly due to an increase in income before income taxes and minority interests and the early write-off of claims under securitization schemes, causing a decline in accrued interest income.

Net cash provided by investing activities decreased by ¥1,485 million, or 48.3%, from the previous term's ¥3,073 million, to ¥1,588 million (US$15 million). This decline is largely attributable to the non-repetition of ¥4,150 million in proceeds from the collection of loans seen in the previous term. In addition, compared with a ¥2,039 million net outflow in the previous term for the purchase of a subsidiary's shares, net of cash acquired, the Company reported a net inflow of ¥64 million for the term.

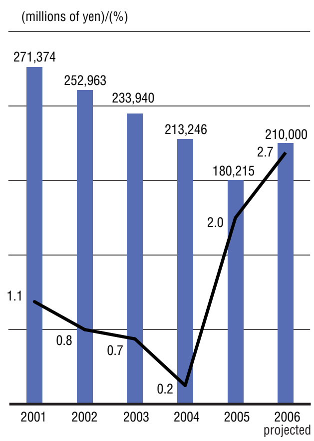
Net cash used in financing activities increased by ¥11,710 million, or 39.6%, over the previous term's ¥29,561 million, to ¥41,271 million (US$386 million), due mainly to increased expenditures for the redemption of bonds.

As a result of the above, cash and cash equivalents decreased by ¥5,975 million, or 20.2%, during the term, to a term-end balance of ¥23,613 million (US$221 million).

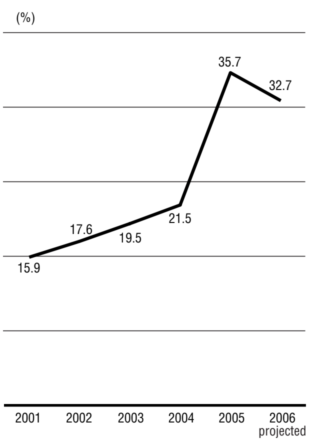
Bad Debt Write-Offs/ Ratio of Bad Debt Write-Offs to Financial Receivables



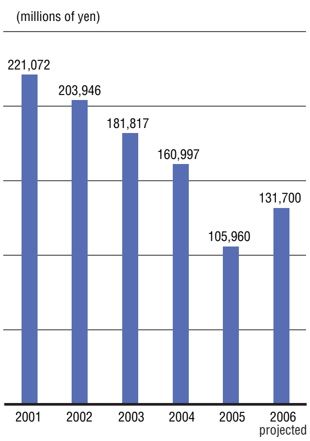
Total Assets/ Return on Assets



Equity Ratio



Interest-Bearing Debt



Consolidated Balance Sheets

Shinki Co., Ltd. and Subsidiaries
March 31, 2004 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	**2005**	**2005**
ASSETS			
Assets:			
Finance receivables, net (Notes 3 and 7)	¥144,791	**¥121,054**	**$1,131,346**
Cash and cash equivalents	29,588	**23,613**	**220,682**
Investment securities (Notes 4 and 7)	1,187	**1,283**	**11,991**
Property and equipment, net (Notes 5 and 7)	8,221	**7,971**	**74,495**
Deferred tax assets (Note 11)	7,338	**7,771**	**72,626**
Other assets (Notes 6 and 15)	22,121	**18,523**	**173,112**
Total	¥213,246	**¥180,215**	**$1,684,252**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Short-term debt (Note 7)	¥ 89,547	**¥ 69,368**	**$ 648,299**
Long-term debt, less current portion (Note 7)	71,450	**36,592**	**341,981**
Income taxes payable (Note 11)	48	**4,088**	**38,206**
Accrued expenses and other liabilities (Notes 8 and 9)	6,428	**5,755**	**53,785**
Total liabilities	167,473	**115,803**	**1,082,271**
Minority interests	13	**3**	**28**
Commitments and contingent liabilities (Notes 14 and 16)**:**			
Shareholders' equity (Notes 10 and 19)**:**			
Common stock, authorized, 180,120,000 shares; issued 45,030,000 shares in 2004 and 70,277,524 shares in 2005	5,016	**12,666**	**118,374**
Additional paid-in capital	5,483	**13,133**	**122,738**
Retained earnings	35,087	**38,378**	**358,673**
Unrealized gain on available-for-sale securities	174	**232**	**2,168**
Total shareholders' equity	45,760	**64,409**	**601,953**
Total	¥213,246	**¥180,215**	**$1,684,252**

See notes to consolidated financial statements.

Consolidated Statements of Income

Shinki Co., Ltd. and Subsidiaries
Years Ended March 31, 2001, 2002, 2003, 2004 and 2005

	Millions of Yen					Thousands of U.S. Dollars (Note 1)
	2001	2002	2003	2004	**2005**	**2005**
Revenues:						
Interest income, including discount revenue	¥49,624	¥45,274	¥39,975	¥37,499	**¥26,557**	**$248,196**
Earnings on beneficial interests in trust of financial loans		3,335	8,313	11,501	**23,247**	**217,262**
Other income (Note 12)	2,672	2,931	3,502	4,338	**6,896**	**64,449**
Total revenues	52,296	51,540	51,790	53,338	**56,700**	**529,907**
Expenses:						
Interest expense, including rediscount expense	7,691	6,867	5,975	5,292	**3,609**	**33,729**
Provision for credit losses (Note 3)	8,279	9,266	11,935	16,018	**18,244**	**170,505**
Bad debts (Note 3)	4,497	5,738	6,885	4,930	**1,600**	**14,953**
Salaries and fringe benefits	8,189	7,731	6,462	6,406	**6,395**	**59,766**
Other expenses (Note 13)	15,992	17,258	17,450	19,284	**19,389**	**181,206**
Total expenses	44,648	46,860	48,707	51,930	**49,237**	**460,159**
Income before income taxes and minority interests	7,648	4,680	3,083	1,408	**7,463**	**69,748**
Income taxes (Note 11)**:**						
Current	5,895	2,332	2,125	469	**4,079**	**38,122**
Deferred	(1,125)	331	(703)	477	**(473)**	**(4,421)**
Total income taxes	4,770	2,663	1,422	946	**3,606**	**33,701**
Minority interests in net income			1	1	**(10)**	**(93)**
Net income	¥ 2,878	¥ 2,017	¥ 1,660	¥ 461	**¥ 3,867**	**$ 36,140**
	Yen					U.S. Dollars
Per share of common stock (Notes 2.s and 17)**:**						
Basic net income	¥63.44	¥44.47	¥36.38	¥ 9.95	**¥67.45**	**$0.63**
Diluted net income			31.26			
Cash dividends applicable to the year	12.50	12.50	12.50	12.50	**15.00**	**0.14**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Shinki Co., Ltd. and Subsidiaries
Years Ended March 31, 2001, 2002, 2003, 2004 and 2005

	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, 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	45,030	5,016	5,483	35,087	174
Conversion of convertible bonds (Note 10)	**25,248**	**7,650**	**7,650**		
Net income				**3,867**	
Cash dividends, ¥12.50 per share				**(563)**	
Bonuses to directors				**(13)**	
Net increase in unrealized gain on available-for-sale securities					**58**
Balance, March 31, 2005 (Note 19)	**70,278**	**¥12,666**	**¥13,133**	**¥38,378**	**¥232**

	Thousands of U.S. Dollars (Note 1)			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-Sale Securities
Balance, March 31, 2004	$ 46,879	$ 51,243	$327,916	$1,626
Conversion of convertible bonds (Note 10)	**71,495**	**71,495**		
Net income			**36,140**	
Cash dividends, $0.12 per share			**(5,262)**	
Bonuses to directors			**(121)**	
Net increase in unrealized gain on available-for-sale securities				**542**
Balance, March 31, 2005 (Note 19)	**$118,374**	**$122,738**	**$358,673**	**$2,168**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Shinki Co., Ltd. and Subsidiaries
Years Ended March 31, 2001, 2002, 2003, 2004 and 2005

	Millions of Yen					Thousands of U.S. Dollars (Note 1)
	2001	2002	2003	2004	**2005**	**2005**
Operating activities:						
Income before income taxes and minority interests	¥ 7,648	¥ 4,680	¥ 3,083	¥ 1,408	**¥ 7,463**	**$ 69,748**
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:						
Income taxes — paid	(9,749)	(5,368)	(1,344)	(2,487)	**(169)**	**(1,579)**
Depreciation and amortization	1,091	1,248	1,133	1,015	**1,275**	**11,916**
Loss on impairment of long-lived assets				1,114		
Credit losses including provision for uncollectible loans	12,808	14,789	19,689	20,524	**19,996**	**186,878**
Decrease (increase) in financial loans made to customers	(29,465)	6,144	(5,265)	4,249	**3,742**	**34,972**
Other — net	(1,805)	(421)	1,389	(1,425)	**1,401**	**13,093**
Net cash provided by (used in) operating activities	(19,472)	21,072	18,685	24,398	**33,708**	**315,028**
Investing activities:						
Decrease (increase) in time deposits with maturities exceeding three months	2,261	950	(118)	(129)	**1,691**	**15,803**
Purchases of securities	(245)	(218)	(2)	(111)	**(1)**	**(9)**
Purchases of property and equipment	(1,271)	(466)	(285)	(221)	**(320)**	**(2,991)**
Purchase of intangible assets	(725)	(2,888)	(1,981)	(1,255)	**(70)**	**(654)**
Proceeds from sales of intangible assets			4,086	1,795	**94**	**879**
Long-term loans made	(2,185)					
Proceeds from collections of loans				4,150		
Acquisition, net of cash acquired (Note 18)		(7)		(2,039)	**64**	**598**
Other — net	351	(255)	1,937	883	**130**	**1,215**
Net cash provided by (used in) investing activities	(1,814)	(2,884)	3,637	3,073	**1,588**	**14,841**
Financing activities:						
Proceeds from issuance of long-term debt	109,315	75,849	56,380	48,850	**38,860**	**363,178**
Repayments of long-term debt	(69,307)	(84,140)	(83,022)	(77,526)	**(75,649)**	**(707,000)**
Increase (decrease) in short-term debt	(16,270)	(8,835)	4,513	(322)	**(3,918)**	**(36,617)**
Purchase of treasury stock			(134)		**(1)**	**(9)**
Cash dividends paid	(567)	(567)	(567)	(563)	**(563)**	**(5,262)**
Net cash provided by (used in) financing activities	23,171	(17,693)	(22,830)	(29,561)	**(41,271)**	**(385,710)**
Net increase (decrease) in cash and cash equivalents	1,885	495	(508)	(2,090)	**(5,975)**	**(55,841)**
Cash and cash equivalents, beginning of year	29,806	31,691	32,186	31,678	**29,588**	**276,523**
Cash and cash equivalents, end of year	¥ 31,691	¥32,186	¥31,678	¥29,588	**¥23,613**	**$220,682**
Additional cash flows information:						
Interest paid	¥ 7,151	¥ 6,851	¥ 6,131	¥ 5,521	**¥ 3,665**	**$ 34,252**
Non-cash investing and financing activities:						
Finance lease obligations incurred					**¥ 970**	**$ 9,065**
Convertible bonds converted into common stock					**¥15,300**	**$142,991**

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, advertising agency business and insurance 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 2001, 2002, 2003 and 2004 financial statements to conform to the classifications used in 2005.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107 to $1, the approximate rate of exchange at March 31, 2005. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Consolidation* — The 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) *Investment Securities* — Investment 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.

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.

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.

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. 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 ($1,000 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.

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* — Finance leases that deem to transfer ownership of the leased property to the lessee are capitalized, while other finance leases are accounted for as operating leases, which is permitted under Japanese accounting standards 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* — 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.

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.

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

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, 2004 and 2005 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. FINANCE RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES

Finance receivables at March 31, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
Loans to consumers:			
Unsecured loans	¥141,298	**¥144,318**	**$1,348,767**
Secured loans (a)	839	**902**	**8,430**
Sub-total	142,137	**145,220**	**1,357,197**
Loans to business enterprises:			
Unsecured loans on deed	2,325	**1,338**	**12,505**
Unsecured revolving loans	65,165	**67,085**	**626,963**
Secured loans (a)	6,078	**1,022**	**9,551**
Sub-total	73,568	**69,445**	**649,019**
Past-due and restructured loans — 181 days or more past due:			
Past due loans	581	**52**	**486**
Restructured loans	44	**4**	**37**
Sub-total	625	**56**	**523**
Total finance receivables	216,330	**214,721**	**2,006,739**
Off balance due to securitizations	(52,348)	**(72,259)**	**(675,318)**
Allowance for credit losses	(19,191)	**(21,408)**	**(200,075)**
Finance receivables, net	¥144,791	**¥121,054**	**$1,131,346**

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

Finance receivables at March 31, 2005 include revolving loans with credit limits to consumers and business enterprises of ¥142,179 million ($1,328,776 thousand). The remaining available credit at March 31, 2005 was ¥95,359 million ($891,206 thousand), including ¥63,797 million ($596,234 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, 2004 and 2005 were as follows:

	2004	**2005**
Loans to consumers:		
Unsecured loans	22.50 — 29.20%	**21.00 — 29.20%**
Loans to business enterprises:		
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, 2004 and 2005 are shown below:

	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
Balance at beginning of year	¥14,419	**¥19,191**	**$179,355**
Addition (a)	17,767	**19,950**	**186,449**
Deduction:			
Write-offs (b)	12,839	**16,027**	**149,785**
Recoveries	156	**1,706**	**15,944**
Balance at end of year	¥19,191	**¥21,408**	**$200,075**

(a) Including a ¥1,596 million 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).

4. INVESTMENT SECURITIES

Investment securities at March 31, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
Non-current:			
Equity securities	¥ 747	**¥ 834**	**$ 7,795**
Trust fund investments and other	440	**449**	**4,196**
Total	¥1,187	**¥1,283**	**$11,991**

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

	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

	Millions of Yen			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	**¥525**	**¥238**		**¥763**
Trust fund investments and other	**297**	**152**		**449**

	Thousands of U.S. Dollars			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	**$4,907**	**$2,224**		**$7,131**
Trust fund investments and other	**2,775**	**1,421**		**4,196**

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
Equity securities	¥72	**¥71**	**$664**

5. PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
Land	¥ 4,870	**¥ 4,862**	**$ 45,439**
Buildings	4,734	**4,334**	**40,505**
Structures	575	**515**	**4,813**
Vehicles	5	**5**	**47**
Furniture and fixtures	1,781	**1,625**	**15,187**
Total	11,965	**11,341**	**105,991**
Less accumulated depreciation	(3,744)	**(3,370)**	**(31,496)**
Property and equipment, net	¥ 8,221	**¥ 7,971**	**$ 74,495**

During fiscal 2004, the Company recorded an impairment loss on certain land and buildings of ¥775 million ($7,243 thousand) and ¥20 million ($187 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.

6. OTHER ASSETS

Other assets at March 31, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
Accrued interest income	¥ 1,608	**¥ 1,100**	**$ 10,280**
Prepaid expenses	2,137	**2,215**	**20,701**
Guarantee deposits	3,273	**3,054**	**28,543**
Investments in credit and finance associations	38	**36**	**336**
Time deposits with maturities exceeding three months	2,948	**1,257**	**11,748**
Goodwill on purchase of loans to consumers	135	**417**	**3,897**
Consolidation goodwill	1,465	**1,139**	**10,645**
Other	10,517	**9,305**	**86,962**
Total	¥22,121	**¥18,523**	**$173,112**

7. SHORT-TERM AND LONG-TERM DEBT

Short-term debt at March 31, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
Short-term borrowings from banks and other finance companies, principally from 1.5% to 6.2% in 2004 and from 1.7% to 2.6% in 2005:			
Secured	¥ 5,190	**¥ 4,000**	**$ 37,383**
Unsecured	13,421	**6,530**	**61,028**
Total	18,611	**10,530**	**98,411**
Commercial paper from finance companies, principally from 1.2% to 1.9% in 2004 and from 1.0% to 1.9% in 2005: Unsecured	8,930	**13,170**	**123,084**
Current portion of long-term debt	62,006	**45,668**	**426,804**
Total short-term debt	¥89,547	**¥69,368**	**$648,299**

Information on the amount of short-term borrowings outstanding during 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
Maximum month-end balance outstanding during the year	¥18,875	**¥13,182**	**$123,196**
Average month-end balance outstanding during the year	12,233	**8,307**	**77,636**
Weighted average interest rate for the year	2.115%	**2.566%**	

Long-term debt at March 31, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
Bonds, unsecured:			
3.00% debentures due 2004	¥ 10,000		
3.00% debentures due 2005	10,000		
2.35% debentures due 2005	10,000	**¥10,000**	**$ 93,458**
4.50% convertible bonds due 2012	15,300		
2.70% debentures due 2004	400		
0.46% debentures due 2006		**500**	**4,673**
0.40% debentures due 2006		**1,000**	**9,346**
0.45% debentures due 2007		**500**	**4,673**
Long-term borrowings from banks, insurance companies and other finance companies, due serially through 2008 — principally from 2.0% to 6.0% in 2004 and from 1.2% to 4.3% in 2005:			
Secured	76,365	**57,565**	**537,990**
Unsecured	11,391	**11,801**	**110,290**
Finance lease obligations due 2009, 1.79%		**894**	**8,355**
Total	133,456	**82,260**	**768,785**
Less current portion	(62,006)	**(45,668)**	**426,804**
Long-term debt, less current portion	¥ 71,450	**¥36,592**	**$341,981**

Annual maturities of long-term debt at March 31, 2005, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥45,668	$426,804
2007	22,013	205,729
2008	12,415	116,028
2009	1,601	14,963
2010	563	5,261
Total	¥82,260	$768,785

With respect to certain borrowings from banks and other finance companies in an aggregate amount of ¥7,000 million ($65,421 thousand) maturity may be accelerated if one or more of the following events occur:

1) The amount of net assets minus total intangible fixed assets falls below ¥40,000 million ($373,832 thousand).
2) The ratio of the amount of net assets minus total intangible fixed assets to total assets falls below 20%.

The carrying amounts of assets pledged as collateral for short-term and long-term debt at March 31, 2005 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Finance receivables	¥61,301	$572,906
Investment securities	499	4,664
Buildings and structures	1,189	11,112
Land	4,681	43,748
Others	726	6,785
Total	¥68,396	$639,215

The Company has an overdraft facility. The credit limit and the outstanding credit are ¥20,000 million ($186,916 thousand) and ¥17,000 million ($158,879 thousand) at March 31, 2005, 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.

8. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities at March 31, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
Accrued employees' bonuses	¥ 413	**¥ 418**	**$ 3,907**
Miscellaneous payables	1,318	**772**	**7,215**
Liability for retirement benefits to directors and corporate auditors (see Note 9)	129	**149**	**1,393**
Guarantee deposits received	164	**116**	**1,084**
Accrued expenses	712	**735**	**6,869**
Deposits received	2,389	**2,297**	**21,467**
Other	1,303	**1,268**	**11,850**
Total	¥6,428	**¥5,755**	**$53,785**

9. 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, 2004 and 2005 amounted to ¥129 million and ¥149 million ($1,393 thousand), respectively, and was included in "Accrued expenses and other liabilities" (see Note 8).

The liability for employees' retirement benefits at March 31, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
Projected benefit obligation	¥702	**¥738**	**$6,898**
Fair value of plan assets	(603)	**(664)**	**(6,206)**
Unrecognized actuarial gain	21	**31**	**289**
Unrecognized transitional asset	21		
Net liability	¥141	**¥105**	**$ 981**

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, 2004 and 2005 are as follows:

	Millions of Yen					Thousands of U.S. Dollars
	2001	2002	2003	2004	**2005**	**2005**
Service cost	¥86	¥106	¥100	¥120	**¥113**	**$1,056**
Interest cost	15	16	12	12	**12**	**112**
Expected return on plan assets	(19)	(8)	(4)	(4)	**(5)**	**(47)**
Recognized actuarial loss		38	24	28	**(8)**	**(75)**
Amortization of transitional asset	(21)	(21)	(21)	(21)	**(21)**	**(196)**
Net periodic benefit costs	¥61	¥131	¥111	¥135	**¥ 91**	**$ 850**

Assumptions used for the years ended March 31, 2001, 2002, 2003, 2004 and 2005 are set forth as follows:

	2001	2002	2003	2004	**2005**
Discount rate	3.0%	2.0%	2.0%	2.0%	**2.0%**
Expected rate of return on plan assets	3.5%	1.5%	0.75%	0.75%	**0.75%**
Recognition period of actuarial gain or loss	5 years	5 years	5 years	5 years	**5 years**
Amortization period of transitional asset	5 years	5 years	5 years	5 years	**5 years**

10. SHAREHOLDERS' EQUITY

Prior to October 8, 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). Effective on October 8, 2004, Shinsei Bank, Limited had 39% of ownership in the Company by converting convertible bonds to common stock, which reduced the ownership held by Mr. Maeda, the Maeda Family, Think-Data Co., Ltd. and Himejijujikai Foundation below 50%. 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").

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

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

The Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the shareholders meeting.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥38,743 million ($362,084 thousand) as of March 31, 2005, based on the amount recorded in the parent company's general books of account.

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

11. 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 four years in the period ended March 31, 2004 and 40.6% for the year ended March 31, 2005.

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

	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
Deferred tax assets:			
Bad debts	¥3,896	**¥4,036**	**$37,720**
Allowance for credit losses	2,595	**2,740**	**25,607**
Tax loss carryforwards	30	**451**	**4,215**
Other	1,260	**1,469**	**13,729**
Less valuation allowance	(48)	**(506)**	**(4,729)**
Total	7,733	**8,190**	**76,542**
Deferred tax liabilities	395	**419**	**3,916**
Net deferred tax assets	¥7,338	**¥7,771**	**$72,626**

A reconciliation between the normal effective statutory tax rates 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, 2005 was as follows:

	2001	2002	2003	2004	**2005**
Normal effective statutory tax rate	42.0%	42.0%	42.0%	42.0%	**40.6%**
Additional taxes on undistributed profits of a family company	8.6	3.4	4.2		
Inhabitant tax per capita	1.4	2.1	3.1	6.5	**0.5**
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	**2.4**
Increase in valuation allowance				2.9	**5.5**
Other — net	(0.5)	(2.1)	1.6	(1.0)	**(0.7)**
Actual effective tax rate	62.4%	56.9%	46.2%	67.2%	**48.3%**

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 40.6%, effective for years beginning on or after April 1, 2004. The effect of this change was to increase income taxes-deferred by ¥34 million in the consolidated financial statements for the year ended March 31, 2003.

12. OTHER INCOME

Other income for each of the five years in the period ended March 31, 2005 consisted of the following:

	Millions of Yen					Thousands of U.S. Dollars
	2001	2002	2003	2004	**2005**	**2005**
Fees received for origination of loans and other	¥ 225	¥ 203	¥ 238	¥ 305	**¥ 678**	**$ 6,336**
Recoveries of loans previously written off	555	607	696	518	**694**	**6,486**
Rental income	114	114	110	102	**106**	**991**
Revenue from temporary employee deployment business	976	1,452	1,807	2,837	**4,981**	**46,551**
Other	802	555	651	576	**437**	**4,085**
Total	¥2,672	¥2,931	¥3,502	¥4,338	**¥6,896**	**$64,449**

13. OTHER EXPENSES

Other expenses for each of the five years in the period ended March 31, 2005 consisted of the following:

	Millions of Yen					Thousands of U.S. Dollars
	2001	2002	2003	2004	**2005**	**2005**
Cost from temporary employee deployment business	¥ 725	¥ 1,114	¥ 1,456	¥ 2,302	**¥ 3,906**	**$ 36,505**
Advertising	3,055	2,744	2,247	2,420	**741**	**6,925**
Rent	3,905	4,271	3,970	5,175	**5,110**	**47,757**
Communication	1,497	1,262	1,018	877	**880**	**8,224**
Sundry taxes and dues	891	916	841	914	**1,054**	**9,850**
Depreciation and amortization	1,091	1,248	1,133	1,015	**1,612**	**15,065**
Commission expense	1,557	1,304	2,250	2,148	**2,513**	**23,486**
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		
Other	3,271	3,889	3,672	3,319	**3,573**	**33,394**
Total	¥15,992	¥17,258	¥17,450	¥19,284	**¥19,389**	**$181,206**

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.

14. 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 13, for each of the five years in the period ended March 31, 2005 were as follows:

	Millions of Yen					Thousands of U.S. Dollars
	2001	2002	2003	2004	**2005**	**2005**
Total lease payments under finance leases	¥1,139	¥1,294	¥1,303	¥2,427	**¥2,339**	**$21,860**

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, 2004 and 2005 was as follows:

	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

	Millions of Yen		
	2005		
	Furniture and Fixtures	Software	Total
Acquisition cost	**¥4,212**	**¥5,320**	**¥9,532**
Accumulated depreciation	**(2,629)**	**(2,284)**	**(4,913)**
Net leased property	**¥1,583**	**¥3,036**	**¥4,619**

	Thousands of U.S. Dollars		
	2005		
	Furniture and Fixtures	Software	Total
Acquisition cost	**$39,364**	**$49,720**	**$89,084**
Accumulated depreciation	**(24,570)**	**(21,346)**	**(45,916)**
Net leased property	**$14,794**	**$28,374**	**$43,168**

	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
Obligations under finance leases:			
Due within one year	¥2,186	**¥1,805**	**$16,869**
Due after one year	4,547	**2,955**	**27,617**
Total	¥6,733	**¥4,760**	**$44,486**

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, 2005, 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
	2001	2002	2003	2004	**2005**	**2005**
Depreciation expense	¥1,052	¥1,187	¥1,297	¥2,255	**¥2,169**	**$20,271**
Interest expense	107	107	92	225	**180**	**1,682**

The minimum rental commitments under noncancellable operating leases at March 31, 2005 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥4	$37
Due after one year	2	19
Total	¥6	$56

15. 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]			

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 were included in other assets.

16. CONTINGENT LIABILITIES

As of March 31, 2005, contingent liabilities for notes discounted with banks with recourse and guarantees of loans of the Company's customers are ¥47 million ($439 thousand) and ¥240 million ($2,243 thousand), respectively.

17. NET INCOME PER SHARE

The weighted average number of share used for the computation of basic net income per share ("EPS") was 45,360 thousand shares for the years ended March 31, 2001 and 2002, 45,270 thousand shares for the year ended March 31, 2003, 45,029 thousand shares for the year ended March 31, 2004 and 57,134 thousand shares for the year ended March 31, 2005.

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, 2001, 2002 and 2005.

18. 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), Alco Corporation in December 2003 and SL Maple Ltd. in March 2005. The assets and liabilities of the companies upon consolidation with the Company and a reconciliation between the acquisition cost and net cash paid (provided) by the acquisition are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
Assets acquired	¥9,965	**¥508**	**$4,748**
Liabilities assumed	(9,113)	**(604)**	**(5,645)**
Goodwill	1,617	**115**	**1,075**
Acquisition cost	2,469	**19**	**178**
Cash and cash equivalents	430	**83**	**776**
Net cash paid (provided) by acquisition	¥2,039	**¥ (64)**	**$ (598)**

19. SUBSEQUENT EVENTS

a. Acquisition

On April 15, 2005, the Company acquired all shares of a consumer finance company, Pan-Shinpan Co., Ltd. for ¥1,604 million ($14,991 thousand) to expand the Company's scale of loan business. The total assets as of December 31, 2004 and revenue for the year then ended of Pan-Shinpan Co., Ltd. are ¥11,240 million ($105,047 thousand) and ¥2,551 million ($23,841 thousand), respectively.

b. Sales of Subsidiary

At the meeting of Board of Directors held on June 10, 2005, the Company resolved to sell all shares of Careerlink Co., Ltd., a subsidiary engaged in temporary employee deployment business, by management buy-out to concentrate the Company's resources on its loan business. The time and price of the sale have not been determined. The total assets as of March 31, 2005 and revenue for the year then ended of Careerlink Co., Ltd. are ¥1,094 million ($10,224 thousand) and ¥5,454 million ($50,972 thousand), respectively.

c. Appropriations of Retained Earnings

On June 29, 2005, the shareholders authorized the payments of (1) cash dividends to shareholders of record at March 31, 2005 of ¥15 ($0.14) per share or a total of ¥1,054 million ($9,850 thousand), and (2) bonuses to directors of ¥13 million ($121 thousand).

20. 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, 2005 were as follows:

	Millions of Yen					Thousands of U.S. Dollars
	2001	2002	2003	2004	**2005**	**2005**
Rental expense	¥27	¥55	¥51	¥51	**¥21**	**$196**
Secondment expense for employees	34	10	2			
Rental income	52	38	38	31	**24**	**224**

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, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	**2005**	**2005**
Guarantee deposits receivable	¥40	**¥20**	**$187**
Guarantee deposits payable	73	**18**	**168**

Effective October 8, 2004, Shinsei Bank, Limited became related party of the Company by converting convertible bonds to common stock. Interest expense owed to the bank for the period from October 8, 2004 to March 31, 2005 was ¥58 million ($542 thousand). Short-term and long-term debt the Company owed to the bank at March 31, 2005 were ¥4,000 million ($37,383 thousand) and ¥5,000 million ($46,729 thousand), respectively.

21. SEGMENT INFORMATION

The Company operates in the following industries:

Loan industry consists of financing services to consumers and business enterprise. Other consists of temporary employment deployment business, advertising agency business and insurance agency business.

Under Japanese accounting regulations, the Group is not required to disclose industry segment information for the four years in the period ended March 31, 2004 because its main industry segment, loan industry, represented more than 90% of its operations.

Information about industry segments for the year ended March 31, 2005, is as follows:

a. Sales and Operating Income

	Millions of Yen			
	2005			
	Loan	Other	Eliminations/ Corporate	Consolidated
Sales to customers	**¥51,254**	**¥5,199**		**¥56,453**
Intersegment sales		**626**	**¥ (626)**	
Total sales	**51,254**	**5,825**	**(626)**	**56,453**
Operating expenses	**39,964**	**5,890**	**2,639**	**48,493**
Operating income	**¥11,290**	**¥ (65)**	**¥ (3,265)**	**¥ 7,960**

b. Total assets, Depreciation, Impairment loss and Capital Expenditures

	Millions of Yen			
	2005			
	Loan	Other	Eliminations/ Corporate	Consolidated
Total assets	**¥174,219**	**¥1,608**	**¥4,388**	**¥180,215**
Depreciation	**1,168**	**26**	**81**	**1,275**
Capital expenditures	**2,358**	**58**	**34**	**2,450**

a. Sales and Operating Income

	Thousands of U.S. Dollars			
	2005			
	Loan	Other	Eliminations/ Corporate	Consolidated
Sales to customers	**$479,009**	**$48,589**		**$527,598**
Intersegment sales		**5,850**	**$ (5,850)**	
Total sales	**479,009**	**54,439**	**(5,850)**	**527,598**
Operating expenses	**373,495**	**55,047**	**24,664**	**453,206**
Operating income	**$105,514**	**$ (607)**	**$ (30,514)**	**$ 74,393**

b. Total assets, Depreciation, Impairment loss and Capital Expenditures

	Thousands of U.S. Dollars			
	2005			
	Loan	Other	Eliminations/ Corporate	Consolidated
Total assets	**$1,628,215**	**$15,028**	**$41,009**	**$1,684,252**
Depreciation	**10,916**	**243**	**757**	**11,916**
Capital expenditures	**22,037**	**542**	**318**	**22,897**

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

Deloitte.

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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, 2004 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the five years in the period ended March 31, 2005, 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, 2004 and 2005, and the consolidated results of their operations and their cash flows for each of the five years in the period ended March 31, 2005, in conformity with accounting principles generally accepted in Japan.

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.

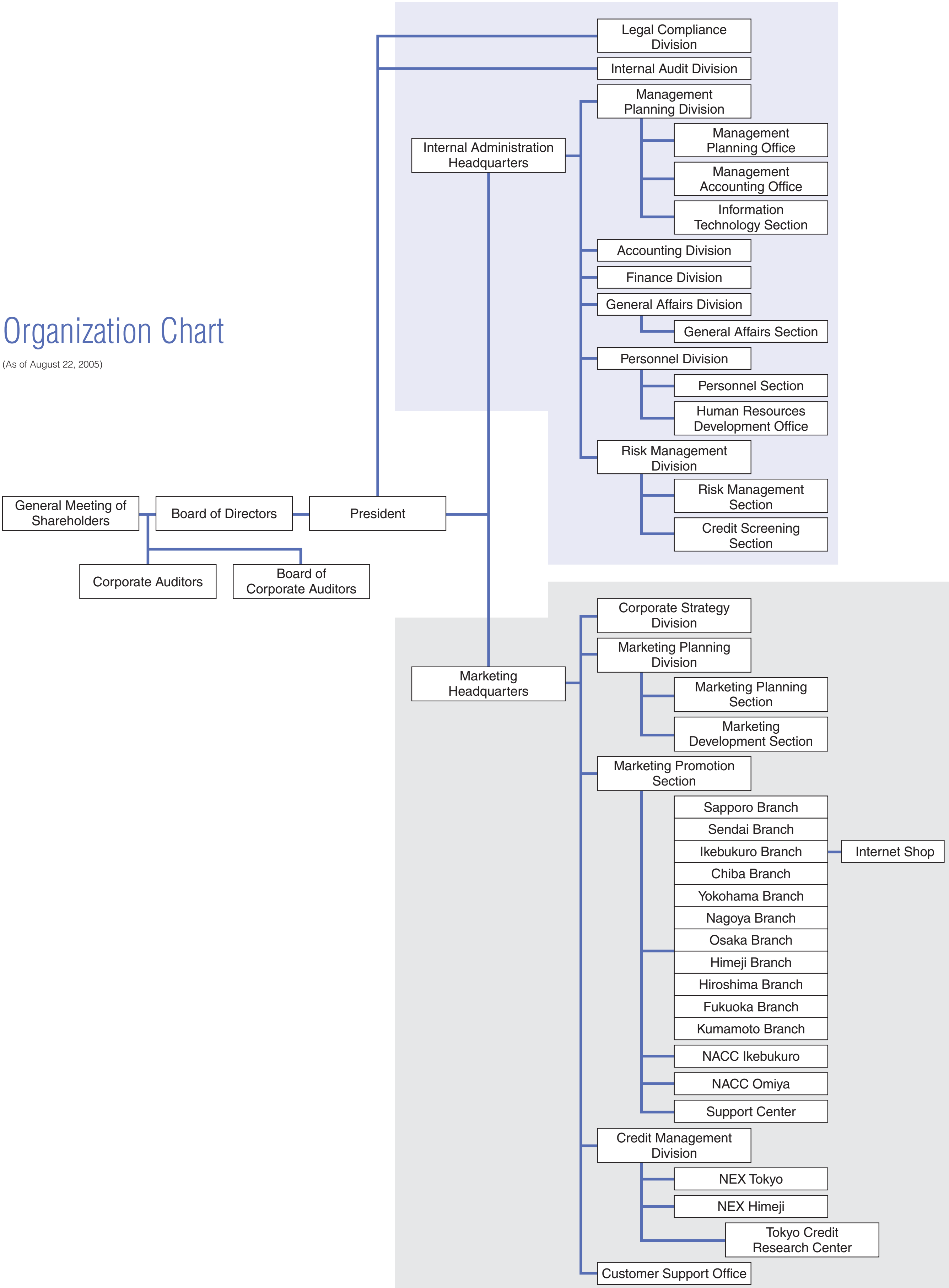
Deloitte Touche Tohmatsu

June 29, 2005

Member of
Deloitte Touche Tohmatsu

Organization Chart

(As of August 22, 2005)



Corporate Directory

(As of March 31, 2005)

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: 943

Board of Directors and Corporate Auditors

(As of June 29, 2005)

President
Hitoshi Tsunemine

Directors & Managing Executive Officers
Sakao Ono
Yoshio Yoshino

Directors & Executive Officers
Yasuhiro Aoki
Masahiro Takeda

Director
Akimasa Tsuchiya

Standing Corporate Auditor
Osamu Ogino

Corporate Auditors
Fumiaki Yamamoto
Masao Miura

Executive Officers
Yasuo Takahara
Kazuhito Fukuda

Investor Information

Paid-in Capital: ¥12,666 million
Number of Shareholders: 7,389
Shares Issued: 70,277,524
Major Shareholders (in units of 10,000 shares):

Shinsei Bank, Ltd.	2,748	(39.1%)
Naofumi Maeda	1,108	(15.8%)
Think Data Co., Ltd. Property Insurance Company owned by Maeda Family	730	(10.4%)
Himejijujikai Foundation Charitable Fund (Chairman: Naofumi Maeda)	570	(8.1%)
Setsu Maeda	216	(3.1%)
The Master Trust Bank of Japan, Ltd.	124	(1.8%)
Japan Trustee Services Bank, Ltd.	122	(1.7%)
Success Corporation	100	(1.4%)
Naoyoshi Maeda	72	(1.0%)
Ryuko Sakamoto	60	(0.8%)

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. (0120) 288-324

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: ¥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)
Oct. 2004	Shinsei Bank, Ltd. converted convertible bonds into shares (25,247,524 shares)

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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Printed in Japan