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**NEW ADDRESS _____

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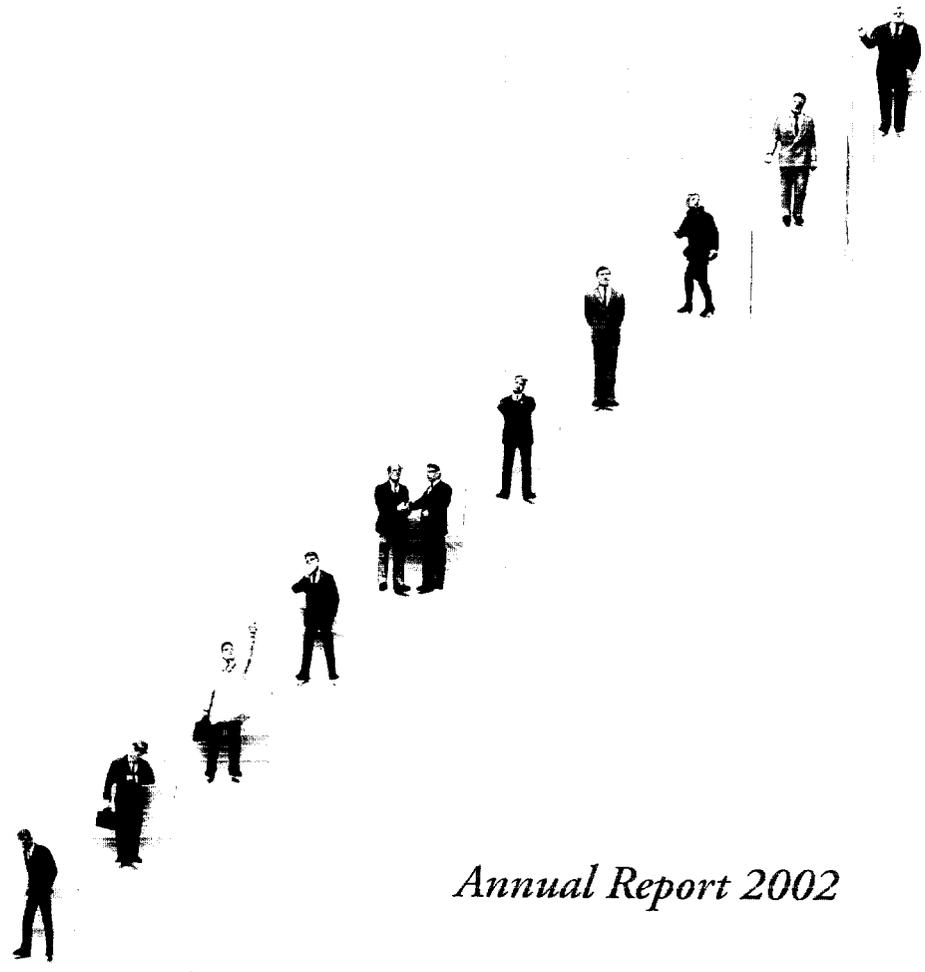
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NICHIEI CO., LTD.
LOPRO Corp.

AR/S
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Annual Report 2002



Company Profile

Founded in March 1970, Nichiei Co., Ltd., has operated under its management philosophy of a "spirit of mutual cooperation," as a financial institution that specializes in providing a stable supply of funds to small and medium-sized firms, which underpin the foundation of the Japanese economy. We have served as a general financial institution that functions as an incubator of small and medium-sized enterprises to complement bank lending activities.

Our mainstay products are "commercial note discounting" and "loans on notes" in conjunction with our "small business loans" and "separate loans" products we created to fulfill the needs of the ever changing business arena. Our commercial service network of 110 branches nationwide enables us to provide prompt responses to our customers' funding needs.

Our shares are listed on the Tokyo Stock Exchange, Osaka Securities Exchange and the Frankfurt Stock Exchange.

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Since our founding, as our investors and customers, you have resolutely supported us as "Nichiei;" however, we will launch a new start on November 1, 2002 under the new company name of "LOPRO" (LOng PROsperity). This corporate name change has been implemented to reflect our desire for further growth in the 21st century and our continual stance of devoting ourselves to the success of our customers. We ask for your continued patronage under the new company name.

Financial Highlights

Nichiei Co., Ltd. and its Subsidiary

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars*</i>
	2001	2002	2002
For the Year			
Operating revenues	¥ 62,770	¥ 46,432	\$ 348,455
Operating income (loss)	(40,678)	4,655	34,935
Net income (loss)	(39,896)	308	2,315
At Year-end			
Loans and discounted commercial notes	¥303,476	¥215,436**	\$1,616,780
Total assets	365,747	338,960	2,543,793
Total shareholders' equity	165,042	153,316	1,150,588
Per Share (in single yen and U. S. dollars)			
Net income	¥ (602.1)	¥ 3.9	\$ 0.0
Cash dividend	10.0	12.5	0.1
Shareholders' equity	2,432.24	1,906.60	14.3

Notes: *The U.S. dollar amounts represent translation of yen amounts at the rate of ¥133.25=US\$1.00, the exchange rate at March 31, 2002

**This amount does not include 31,268 million yen that was processed off balance sheets through certain securitizations of loans on notes under specific contracts

A Message from the President



President and CEO
Ryuichi Matsuda

Presently, the state of the Japanese economy is extremely dire. This can be clearly seen in the increased corporate bankruptcies, growing unemployment and lowering of the government bond rating. Heretofore, the Japanese economy's growth has been supported by its small and medium-sized companies that comprise more than 90% of all the companies in Japan. We believe that the ultimate key for the economy to break out of this quagmire is for small and medium-sized companies to demonstrate their dynamism. The credit risk of financing to small and medium-sized companies as a whole is great and is heightened today. However, we firmly believe that it is the societal duty of parties involved in financ-

ing to smoothly supply funds to small and medium-sized companies in such times as these.

Since our founding in 1970, we have always taken it to heart that the relationship of trust between people is at the origin of financing. Based on our "spirit of mutual cooperation," we have contributed as much as possible to the growth of small and medium-sized firms and the activation of local economies. We will continue to rebuild our management foundation to achieve further growth in our new stage of development and make an even greater contribution to small and medium-sized companies.

The "small business loans" we began handling in the summer of 2001 are one example of our first steps in this area. These loans utilize our mainstay product of loans on notes to provide small loans that do not require a guarantor and are easy for customers to use. In addition, the new product "separate loan" was released in April 2002 as a new type of small loan. In addition, in March 2002 we began rebuilding our subsidiary, Nihonshinyouhoshou Corporation, which included waiving a portion of the finance receivable that had been provided to the firm.

In our operations we have positioned the profits of shareholders as one of our most important issues. Based on this policy and our rule of providing steady dividends, we have increased dividends, implemented stock splits and offered courtesy gifts for shareholders

while considering the performance of each settlement period. As for this fiscal year, we were unable to completely overcome the deteriorating economy and were forced to post results below the initial plan for the year, but at the same time we greatly improved on our performance of the preceding year and steadily reinforced our earnings structure. Consequently, it is our intent to increase dividends. Moreover, despite these economic conditions, we implemented a share buyback to improve share value and return profits to shareholders.

Furthermore, we are managing the Company while utilizing various administrative indices: loan balances per company as an index of risk dispersion through smaller loans, ROE as an index of improving share value and free cash flow as an index of capital efficiency. We are also strengthening our fund procurement ability through the diversification of procurement strategies and methods to enable us to steadily supply high quality funds to our customers.

We not only supply funds to customers but also act as an accessible consultant for the owners of small and medium-sized companies. Our intent is to grow and heighten corporate value together with our customers. In addition, we will strive to provide high quality funds to customers by proceeding with the improvement of our financial constitution through the heightening of management efficiency and reinforcement of risk management.

Therefore, we are emphasizing the following strategies as medium-term themes.

- Improvement of brand value
- Reinforcement of credit risk management
- Improvement of management efficiency
- Development of new products and research into new businesses
- Nurturing of personnel

Furthermore, as approved in the recent general meeting of shareholders, the company name of “Nichiei” will be changed to “LOPRO” on November 1, 2002. We believe that this is an effective measure and another essential step towards the above mentioned new growth. Our intent is to continue to proactively implement necessary measures in a speedy fashion. We hope and request that you look forward to the “New Nichiei” = “LOPRO” and continue to provide us with your resolute support.

June 2002



Ryuichi Matsuda
President and Chief Executive Officer

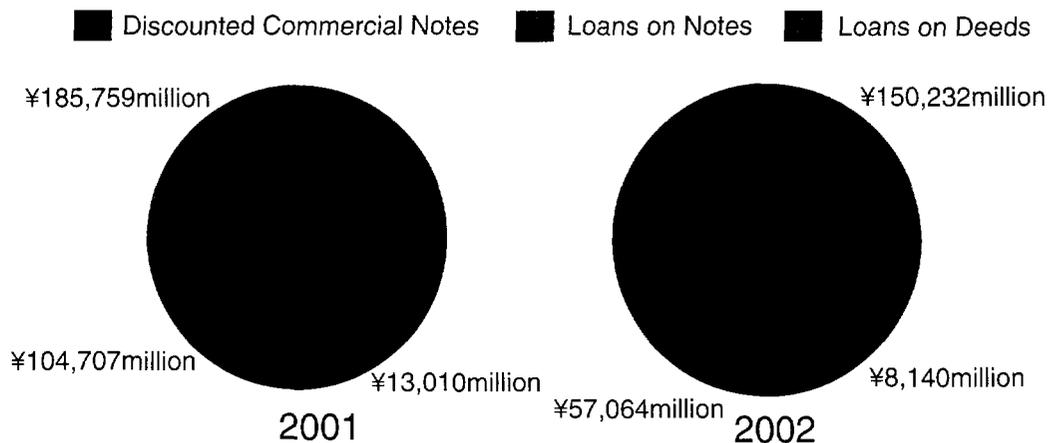
Nichiei's Services

As a partner of small and medium-sized corporations, our firm provides the following products and services through our service network of 110 branches nationwide with the objective of contributing to the activation of local economic activities.

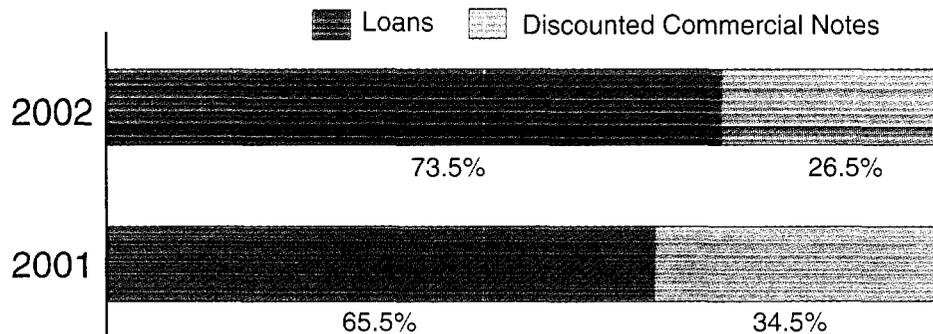
Commercial Note Discounting

We have offered commercial note discounting, a core product, since its inception. Commercial notes are used in transactions among companies as a means for paying for goods or services. When a customer who owns a commercial note requires funds before the

Fluctuation in Financing Balance by Product Type



Fluctuation in Share of Loans



payment due date, we buy the commercial note from the customer after deducting interest (discount fee) up to the date of maturity. This is called commercial note discounting. We only accept commercial notes that meet screening criteria based on our own credit checks. Our customers are diverse and range from small firms to listed companies. As a general rule, a guarantee by Nihonshinyouhoshou Corporation, our wholly owned subsidiary, is required.

Loans on Notes

When providing loans on notes, we independently investigate and determine the loan amount according to creditworthiness of the customer based on the customer’s credit ranking. Loans are extended when the loan applicant submits a promissory note drawn on the

applicant (collection by bank on date of maturity). Because the loan is unsecured and the risk is high, the loan in principle requires a guarantor and is repaid as a lump sum or in installments within six months. Loans must be guaranteed by Nihonshinyouhoshou Corporation.

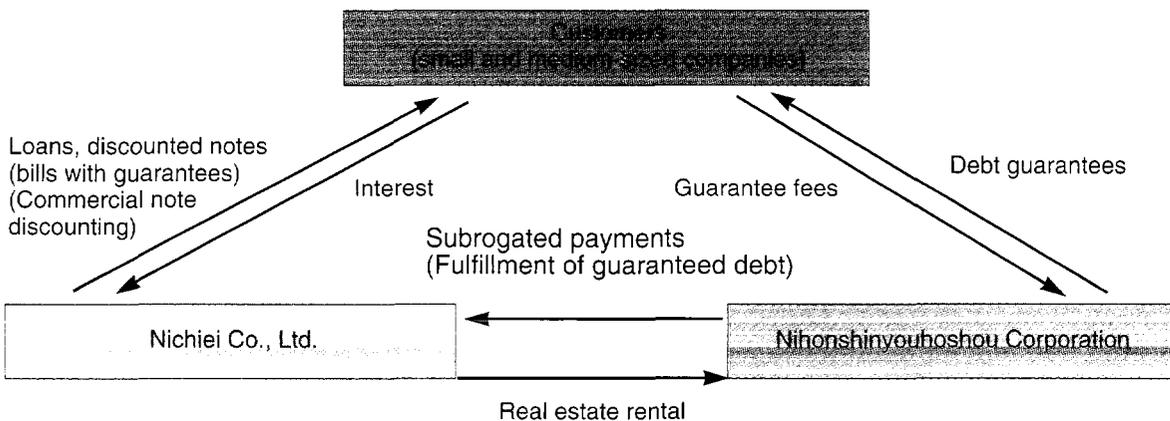
In addition to these existing products, we have also developed and released new products that fulfill the needs of the ever changing business arena. These include the small guarantor-free loan “small business loan” and “separate loan” in which the principal is paid back in installments. We will aspire to continue developing new products that place customer needs first and maintain sales activities in step with our customers, small and medium-sized corporations.

Overview of Nichiei Group

- (1) The Nichiei Group’s primary business is the provision of financial and peripheral services.
- (2) Nichiei Co., Ltd. has one subsidiary: Nihonshinyouhoshou Corporation.
- (3) Nichiei businesses of Nichiei Group companies are as follows.
- (a) The Company provides short-term loans (mainly bills with guarantees) and discounted commercial

- notes to businesses, and also is engaged in the real estate rental business.
- (b) Nihonshinyouhoshou Corporation provides guarantees to complement the creditworthiness of our customers, which are small and medium-sized businesses.

The relationships between Nichiei Group members are shown below.



Review of Operations

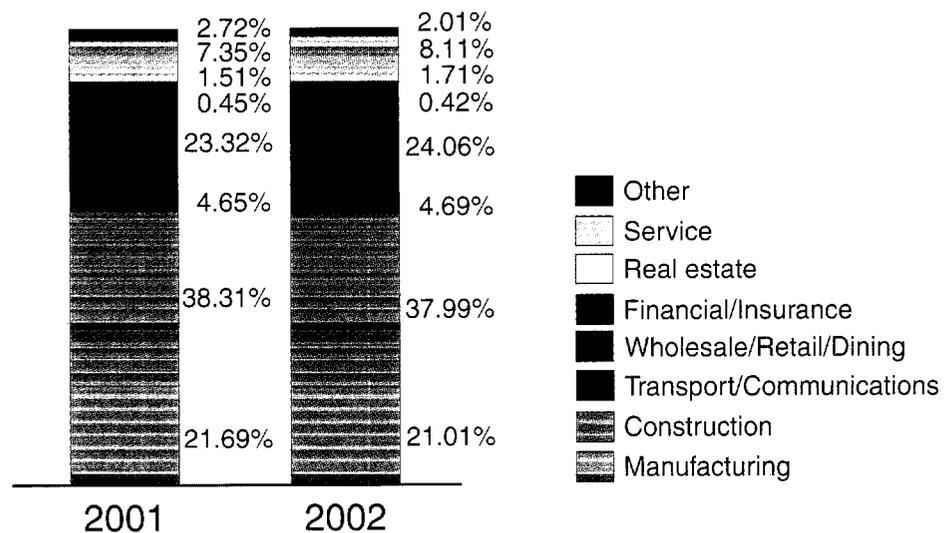
Due to the slump in personal consumption and deteriorating employment situation the Japanese economy fluctuated at dire levels during this fiscal year and was further hindered by the terrorist incidents in the U.S. Furthermore, a number of large bankruptcies including life insurance companies, general insurance companies, general contractors and major distributors took place.

In addition to slumping sales, with the introduction of a limit on the amount of deposits insured by the government, small and medium-sized companies faced even greater difficulty in procuring funds from financial institutions. Due to these very critical circumstances, 2001 recorded the second most bankruptcies since the Second World War and saw the worst conditions since the collapse of the bubble economy.

Within these conditions, we managed our operations in line with our management prin-



Industry Breakdown of Loan Recipients



ciple since our founding of a “spirit of mutual cooperation” and based upon “compliance (observance of ethics laws).” This policy was followed to realize the duty of contributing to the activation of local economic activities and supporting the growth of small and medium-sized companies, as their good partner.

As a reflection of the current business environment, the credit risk facing small and medium-sized companies is increasing overall. However, we perceived the need, particularly because of such conditions, to speedily respond to the funding requirements of many small and medium-sized companies based on risk dispersion and strict screening that utilizes



the know-how we have accumulated through our business. Consequently, centering on the newly launched “small business loans” we expanded business.

In addition, at the end of the fiscal year we wrote off 50 billion yen in loans provided to our subsidiary, Nihonshinyouhoshou Corporation, in order to support its rebuilding efforts. This measure was taken to make the start to our next fiscal year period smooth, as we have positioned it as the fiscal year for our group to proactively expand business and free itself from the influence of the series of scandals. We also took steps to heighten clarity of our management including newly establishing an allowance for losses incurred in disputes over loans and revaluation of land in anticipation of introducing market value accounting.

In the area of financing, we primarily procured funds directly from the capital market through the securitization of notes payable. Furthermore, to improve our capital efficiency, we also bought back 9 billion yen of our “Euro-yen Convertible Bond Maturing in 2014” during the latter half of the year.

As a result of the above, the financing balances at the end of the consolidated fiscal year were as follows: discounted commercial notes balance was 57,064 million yen (year-on-year decline of 45.5%), and the balance of loans was 158,371 million yen (year-on-year decline of 20.3%) due to the off-balance sheet processing of 31,268 million yen through certain

securitizations under specific contracts. Thus the total balance was 215,436 million yen for a year-on-year decline of 29.0%.

As for profits, operating revenues were 46,432 million yen due to the decrease in the balance of outstanding loans. However, we were able to post operating revenue of 4,655 million yen. This was a result of efforts to reduce the risk of dead loans bearing fruit thanks to dispersing the risk by issuing smaller loans (as mentioned above) and the strengthening of our screening system. Moreover, although we posted non-operating expenses of 29,459 million yen, we were able to secure a net income of 308 million yen in part due to tax effect accounting.

Cash Flow Conditions

The cash flow from operating activities for the concerned fiscal year on a consolidated basis increased by 30,636 million yen (increased by

58,870 million yen for the previous consolidated fiscal year) due to a decrease in commercial note discounting and securitization of loans on notes.

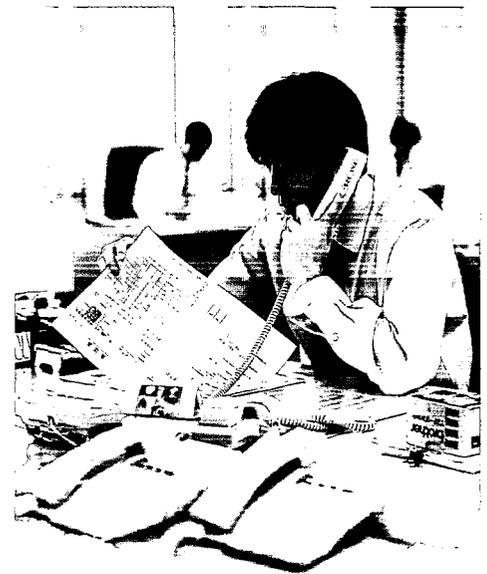
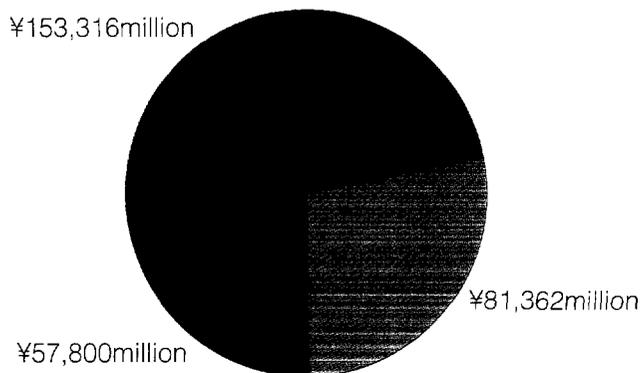
Cash flow from investment activities increased by 4,370 million yen (decreased by 523 million yen for the previous consolidated fiscal year). This was primarily due to the sales of investments in securities.

Cash flow from financial activities decreased by 27,366 million yen (decreased by 109,250 million yen for the previous consolidated fiscal year). This was due to the repayment of long-term borrowings.

As a result, the end-of-year balance of cash and cash equivalents increased by 7,640 million yen compared to the end of the previous consolidated fiscal year and reached 35,074 million yen.

Fund Procurement Composition 2002

-  Financial institutions, etc.
-  Corporate bond/Convertible bond
-  Shareholders' equity





Forecast for Next Fiscal Year

As a result of diversification of the means for fund procurement including direct procurement from the market, we anticipate that fund procurement in the fiscal year ending in March 2003 will also fluctuate steadily for our consolidated group. As for the management of funds, the effects from risk dispersion generated by issuing smaller loans on notes have borne fruit and we anticipate that this will greatly reduce the occurrence of non-performing loans. As for commercial notes, the screening criteria have been reinforced and we plan to increase these notes centering on prime notes. However, the prolonged eco-

nomical slump leads to the forecast of continuing severe conditions for our customers, small and medium-sized firms, and will continue to require the utmost caution.

Moreover, as mentioned previously, we started a drastic rebuilding plan for Nihonshinyouhoshou Corporation, our subsidiary, at the end of this fiscal year. This was done to ensure a smooth start to the next fiscal year, which we have positioned as the year to proactively expand our business and recover from the impact of the series of scandals. We intend to devote ourselves to steadily achieving this goal.

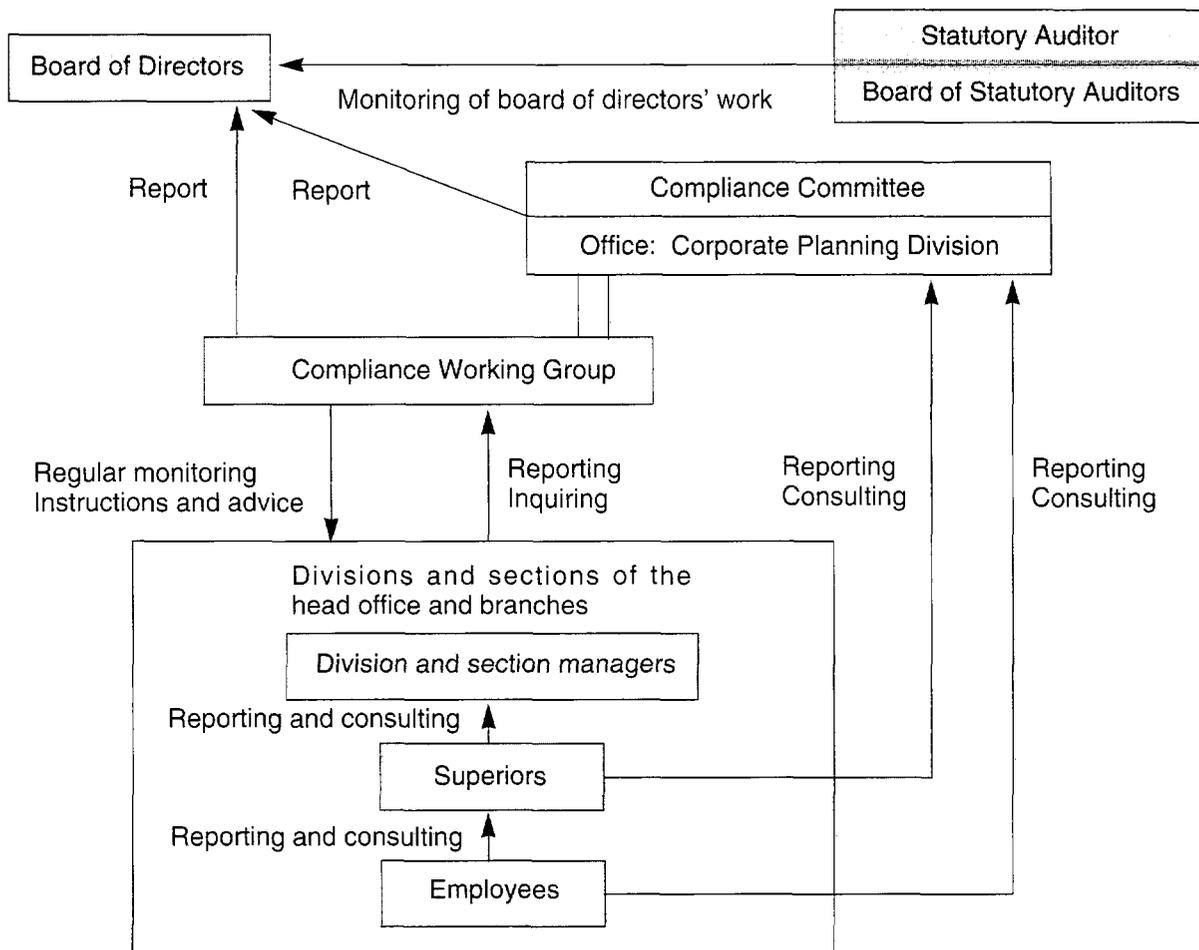
Risk Management



Risk Control and Compliance Issues

Beginning with our management philosophy of a “spirit of mutual cooperation,” since our inception, we as a company have been aware of our societal responsibility and public duty to smoothly supply funds to small and medium-sized firms, with compliance a central requirement of conducting business. During this fiscal year, major societal problems with regards to compliance emerged including the labeling of food products, and this issue has pushed some companies to the brink of bankruptcy. We are once again resolutely approaching compliance, as we per-

Compliance System



ceive this issue as a problem that must be grappled with and not as a problem of others.

First, we have established nine basic rules to serve as the foundation of our business and we will endeavor to operate our business fairly by nurturing a corporate climate that emphasizes compliance. Furthermore, to ensure steadfast implementation, a Compliance Committee comprised of outside lawyers has been established. Periodical meetings are held with this Committee where we, along with our subsidiaries, are instructed on compliance measures.

As for specific measures, we conduct various training and in-house correspondence education for all employees, including new employees, to further their knowledge concerning related laws and to achieve a complete awareness of compliance.

Moreover, the Compliance Office (Corporate Planning Division) has been equipped with a telephone hotline to employees and an exclusive e-mail address to directly relay the opinions and worries of employees to management.

Furthermore, we utilize the comments and criticisms received through the “shareholders’ opinion box” on our Website as administrative guidelines and as a reference in daily management and the planning of management policy. In this manner, we are striving to achieve fair corporate management as a member of society. Through our devotion to compliance within the firm, we will continue hereafter to seek to achieve harmony with society.

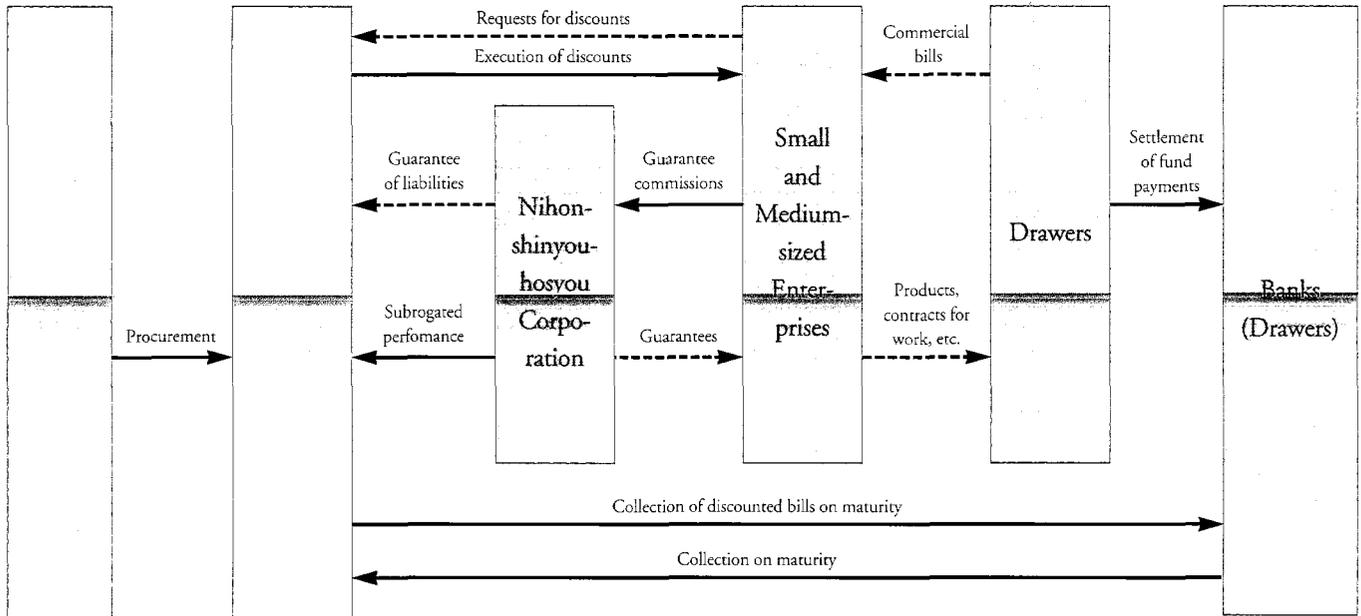


Nine Basic Rules

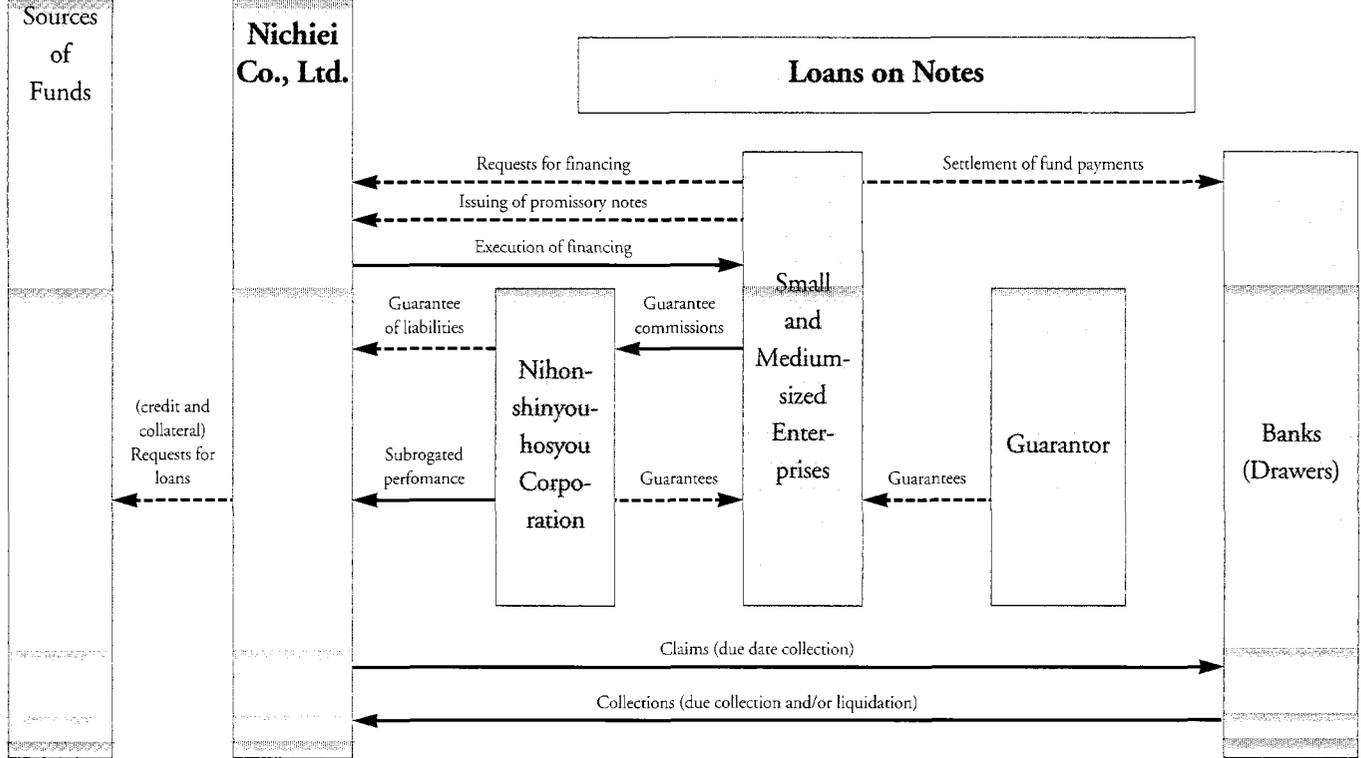
- 1) We will conduct sound management of business with an awareness of our societal responsibilities and public duties as a firm providing financing.
- 2) We will do our utmost to appropriately supply funds to sound business operators requiring funds.
- 3) We will not only follow the letter of the law but also comply with the spirit of the law.
- 4) We will manage the firm fairly and transparently based on our rules of self-responsibility.
- 5) We will contribute to the healthy development of society and the economy by protecting the human rights of all related parties.
- 6) We will consistently select the ethical path when profit and ethics are in conflict.
- 7) We will resolutely confront anti-social forces.
- 8) We will strive to leave a wealthier and fairer society to future generations.
- 9) We will create the best and compelling resolutions when encountered by difficult ethical problems.

Financing Schema

Commercial Note Discounting



Loans on Notes



Financial Section

Report of Independent Accountants

The Board of Directors
Nichiei Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nichiei Co., Ltd. and its subsidiary as of March 31, 2001 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2002, all expressed in Japanese Yen. Our audits were made in accordance with auditing standards, generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Nichiei Co., Ltd. and its subsidiary as of March 31, 2001 and 2002, and the consolidated results of their operations and their cash flows for the three years in the period ended March 31, 2002 in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

As described in Note 2, effective from the year ended March 31, 2001, Nichiei Co., Ltd. and its subsidiary have adopted new Japanese accounting standards for financial instruments and retirement benefits.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.



ChuoAoyama Audit Corporation

Kyoto, Japan
June 27, 2002

Notice to Readers

The accompanying consolidated financial statements are not intended to present the consolidated financial positions and results of their operations and their cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The standards, procedures and practices used to audit such financial statements are those generally accepted and applied in Japan.

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Consolidated Balance Sheets

Nichiei Co., Ltd. and its Subsidiary

As of March 31, 2001 and 2002	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Assets			
Current assets:			
Cash and bank deposits (Note 11)	¥ 27,434	¥ 35,074	\$ 263,219
Deposits (Notes 5 and 11)	11,843	26,433	198,372
Notes receivable (Notes 6 and 12)	6,393	2,785	20,903
Loans and discounted commercial notes (Notes 3, 4,7,11 and 12)	303,476	215,436	1,616,780
Marketable securities (Notes 9 and 11)	—	—	—
Deferred income taxes (Note 14)	12,107	15,122	113,487
Other current assets (Note 11)	733	11,629	87,272
Less: allowance for doubtful accounts (Note 7)	(59,764)	(23,918)	(179,499)
Total current assets	302,222	282,561	2,120,534
Property and equipment, at cost (Note 11):			
Land (Note 10)	31,617	9,358	70,229
Buildings and structures	23,104	22,039	165,394
Vehicles	—	—	—
Furniture and fixtures	395	345	2,590
Less: accumulated depreciation	(6,817)	(7,251)	(54,418)
Construction in progress	98	53	399
Total property and equipment	48,397	24,544	184,194
Investments and other assets:			
Investments in securities (Notes 9 and 11)	5,601	1,829	13,725
Investment in non-consolidated subsidiaries	—	—	—
Loans to borrowers under bankruptcy proceedings (Note 4)	3,044	2,681	20,122
Deferred income taxes (Note 14)	1,906	25,519	191,515
Other assets (Note 11)	7,118	4,279	32,113
Less: allowance for doubtful accounts (Note 7)	(3,059)	(2,681)	(20,122)
Total investments and other assets	14,610	31,627	237,353
Deferred assets:			
Bond issue expenses	518	228	1,712
	¥365,747	¥338,960	\$2,543,793

The accompanying notes are an integral part of these statements.

As of March 31, 2001 and 2002	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term debt (Note 11)	¥ 30,170	¥ 40,910	\$ 307,013
Current portion of long-term debt (Note 11)	21,996	11,932	89,546
Income taxes payable	74	108	813
Deferred revenues	7,724	4,191	31,452
Reserve for losses incurred in disputes over loans (Note 8)	—	37,255	279,587
Other current liabilities	1,950	1,927	14,465
Total current liabilities	61,914	96,323	722,876
Non-current liabilities:			
Long-term debt (Note 11)	135,098	86,320	647,804
Other non-current liabilities (Note 13)	3,693	3,001	22,525
Total non-current liabilities	138,791	89,321	670,329
Total liabilities	200,705	185,644	1,393,205
Shareholders' equity (Note 17):			
Common stock			
Authorized: 188,480,800 shares as of March 31, 2001, and 188,039,100 shares as of March 31, 2002;			
Issued and outstanding: 67,855,899 shares and 81,738,490 shares as of March 31, 2001 and 2002, respectively			
	43,527	49,887	374,386
Additional paid-in capital	45,949	52,309	392,563
Unrealized losses from land revaluation (Note 10)	—	(20,898)	(156,832)
Retained earnings	74,447	73,579	552,187
Unrealized gains (losses) on other securities	1,119	(427)	(3,203)
	165,042	154,450	1,159,101
Treasury stock, at cost: 410 shares and 1,325,202 shares as of March 31, 2001 and 2002, respectively			
	(0)	(1,134)	(8,513)
Total shareholders' equity	165,042	153,316	1,150,588
	¥365,747	¥338,960	\$2,543,793

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Nichiei Co., Ltd. and its Subsidiary

For the Three Years ended March 31, 2000, 2001 and 2002	Millions of yen			Thousands of U.S. dollars (Note 1)
	2000	2001	2002	2002
Operating revenues:				
Interest income on loans	¥ 66,729	¥ 31,626	¥ 19,764	\$ 148,319
Discount fees	2,898	7,948	8,684	65,172
Guarantee commissions	26,806	15,452	12,351	92,692
Commissions earned	21,448	7,225	1,508	11,317
Gain on transfers of loans on notes (Note 12)	—	—	3,655	27,427
Other revenues	590	519	470	3,528
	118,471	62,770	46,432	348,455
Operating expenses:				
Finance cost for operating activities (Note 12)	12,071	5,570	7,534	56,543
Selling, general and administrative expenses (Note 18)	81,156	96,394	32,868	246,659
Commissions paid	1,712	1,026	964	7,233
Other expenses	443	458	411	3,085
	95,382	103,448	41,777	313,520
Operating income (loss)	23,089	(40,678)	4,655	34,935
Non-operating income (expenses):				
Dividend income	114	67	47	351
Interest expenses	(1,484)	(1,168)	(816)	(6,120)
Bond issue expense	(483)	(661)	(233)	(1,750)
Gain (loss) on sales of marketable securities and investments in securities	(22)	—	2,104	15,793
Loss on write-down of marketable securities and investments in securities	(145)	(47)	—	—
Gain on redemption of bonds	354	4,319	1,797	13,487
Loss on disposal of property and equipment	(598)	(14)	(724)	(5,433)
Prior-year guarantee commissions	(9,750)	—	—	—
Prior-year commissions earned	(8,726)	—	—	—
Losses incurred in disputes over loans	—	—	(1,484)	(11,134)
Provision for reserve for losses incurred in disputes over loans (Note 8)	—	—	(29,745)	(223,228)
Loss on termination of derivative financial arrangements	(1,696)	—	—	—
Loss on valuation of derivative contracts	—	(3,768)	—	—
Loss on termination of securitization of notes receivable	—	(2,702)	—	—
Other, net	(199)	137	(405)	(3,046)
	(22,635)	(3,837)	(29,459)	(221,080)
Income (loss) before income taxes	454	(44,515)	(24,804)	(186,145)
Income taxes (benefits) (Note 14):				
Current	20,888	461	424	3,181
Deferred	(6,205)	(5,080)	(25,536)	(191,641)
Total income taxes	14,683	(4,619)	(25,112)	(188,460)
Net income (loss)	¥(14,229)	¥ (39,896)	¥ 308	\$ 2,315

	Yen			U.S. dollars (Note 1)
Per share (Note 2):				
Basic net income (loss)	¥ (215.4)	¥ (602.1)	¥ 3.9	\$ 0.0
Diluted net income	—	—	3.9	0.0
Cash dividends	75.0	10.0	12.5	0.1

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Nichiei Co., Ltd. and its Subsidiary

Years ended As of March 31, 2000, 2001 and 2002	Number of Shares issued (thousands)	Millions of yen					
		Common stock	Additional paid-in capital	Unrealized losses from land revaluation	Retained earnings	Unrealized gains (losses) on other securities	Treasury stock at cost
Balance as of March 31, 1999	66,050	¥42,042	¥44,464	¥ —	¥133,846	¥ —	¥ (22)
Net income (loss) for the year	—	—	—	—	(14,229)	—	—
Deferred income taxes	—	—	—	—	3,519	—	—
—Cumulative effects for prior years	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	(5,119)	—	—
Directors' bonuses	—	—	—	—	(56)	—	—
Conversion of convertible bonds to common stock	3	10	10	—	—	—	—
Net changes in treasury stock	—	—	—	—	—	—	9
Balance as of March 31, 2000	66,053	42,052	44,474	—	117,961	—	(13)
Net income (loss) for the year	—	—	—	—	(39,896)	—	—
Cash dividends	—	—	—	—	(2,477)	—	—
Conversion of convertible bonds to common stock	3,322	1,475	1,475	—	—	—	—
Unrealized gains on other securities	—	—	—	—	—	1,119	—
Common stock repurchased and cancelled	(1,519)	—	—	—	(1,141)	—	—
Net changes in treasury stock	—	—	—	—	—	—	13
Balance as of March 31, 2001	67,856	43,527	45,949	—	74,447	1,119	(0)
Net income for the year	—	—	—	—	308	—	—
Cash dividends	—	—	—	—	(678)	—	—
Conversion of convertible bonds to common stock	14,324	6,360	6,360	—	—	—	—
Net changes in unrealized gains (losses) on other securities	—	—	—	—	—	(1,546)	—
Common stock repurchased and cancelled	(442)	—	—	—	(498)	—	—
Net changes in treasury stock	—	—	—	—	—	—	(1,134)
Unrealized losses from land revaluation	—	—	—	(20,898)	—	—	—
Balance as of March 31, 2002	81,738	¥49,887	¥52,309	¥(20,898)	¥ 73,579	¥ (427)	¥(1,134)

	Number of Shares issued (thousands)	Thousands of U.S. dollars (Note 1)					
		Common stock	Additional paid-in capital	Unrealized losses from land revaluation	Retained earnings	Unrealized gains (losses) on other securities	Treasury stock at cost
Balance as of March 31, 2001	67,856	\$326,656	\$344,833	\$ —	\$558,700	\$ 8,397	\$ (0)
Net income for the year	—	—	—	—	2,315	—	—
Cash dividends	—	—	—	—	(5,093)	—	—
Conversion of convertible bonds to common stock	14,324	47,730	47,730	—	—	—	—
Net changes in unrealized gains (losses) on other securities	—	—	—	—	—	(11,600)	—
Common stock repurchased and cancelled	(442)	—	—	—	(3,735)	—	—
Net changes in treasury stock	—	—	—	—	—	—	(8,513)
Unrealized losses from land revaluation	—	—	—	(156,832)	—	—	—
Balance as of March 31, 2002	81,738	\$374,386	\$392,563	\$(156,832)	\$552,187	\$(3,203)	\$(8,513)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Nichiei Co., Ltd. and its Subsidiary

For the Three Years ended March 31, 2000, 2001 and 2002	Millions of yen			Thousands of U.S. dollars (Note 1)
	2000	2001	2002	2002
Cash flows from operating activities:				
Income (loss) before income taxes	¥ 454	¥ (44,515)	¥(24,804)	\$(186,145)
Adjustments for:				
Depreciation and amortization	3,482	3,863	3,096	23,236
Increase/(decrease) in allowance for doubtful accounts	18,242	(14,965)	(36,224)	(271,848)
Increase/(decrease) in provision for reserve for losses incurred in disputes over loans	—	—	37,255	279,587
Dividend income	(114)	(67)	(47)	(351)
Interest expenses	1,484	1,168	816	6,120
Loss on write-down of marketable securities and investments in securities	145	47	—	—
Gain on redemption of bonds	(354)	(4,319)	(1,797)	(13,487)
Gain on sales of investments in securities	—	—	(2,104)	(15,793)
Loss on disposal of property and equipment	535	14	751	5,637
Loss on valuation of derivative contracts	—	3,768	—	—
Loss on termination of securitization of notes receivable	—	2,702	—	—
Other non-cash items	(29)	359	72	542
Changes in assets and liabilities:				
Decrease/(increase) in deposits	(452)	(431)	(14,590)	(109,494)
Decrease/(increase) in notes receivable	22,991	33,618	3,608	27,078
Decrease/(increase) in loans and discounted commercial notes	166,577	52,155	88,041	660,716
Increase/(decrease) in short-term borrowing due to securitization of loans on notes and discounted commercial notes	7,242	12,030	(8,527)	(63,994)
Decrease/(increase) in other current assets	(16,757)	19,943	(9,885)	(74,184)
Decrease/(increase) in non-performing loans	9,026	—	—	—
Decrease/(increase) in loans to borrowers under bankruptcy proceedings	(32,423)	29,378	363	2,726
Decrease/(increase) in other non-current assets	(3,022)	457	(121)	(906)
Increase/(decrease) in deferred revenue	2,326	(23,020)	(3,533)	(26,513)
Increase/(decrease) in other current liabilities	(1,755)	(1,247)	(689)	(5,166)
Increase/(decrease) in other non-current liabilities	(842)	(192)	(27)	(205)
Other, net	(56)	95	142	1,066
Cash generated from operations	176,700	70,841	31,796	238,622
Dividend received	114	67	47	351
Interest paid	(1,496)	(1,167)	(817)	(6,133)
Income taxes paid	(27,073)	(10,871)	(390)	(2,925)
Net cash provided by operating activities	148,245	58,870	30,636	229,915
Cash flows from investing activities:				
Decrease/(increase) in bank deposits with a maturity over three months	(10)	10	—	—
Acquisition of property and equipment	(729)	(154)	(59)	(440)
Proceeds from sales of property and equipment	—	—	1,259	9,450
Decrease/(increase) in investments in securities and other	34	(250)	3,696	27,739
Decrease/(increase) in other non-current assets	(507)	(129)	(526)	(3,955)
Net cash provided by (used in) investing activities	(1,212)	(523)	4,370	32,794
Cash flows from financing activities:				
Borrowing of long-term loans from banks and others	17,300	—	4,600	34,522
Repayments of long-term loans from banks and others	(61,059)	(43,397)	(23,290)	(174,792)
Proceeds from issuance of bonds	34,069	27,406	—	—
Redemption of bonds	(10,846)	(23,481)	(7,313)	(54,881)
Increase/(decrease) in short-term borrowing	(50,644)	(66,175)	945	7,092
Cash dividends	(5,120)	(2,467)	(675)	(5,064)
Common stock repurchased and cancelled	—	(1,141)	(498)	(3,735)
Decrease/(increase) in treasury stock	(13)	5	(1,135)	(8,516)
Net cash used in financing activities	(76,313)	(109,250)	(27,366)	(205,374)
Change in cash and cash equivalents	70,720	(50,903)	7,640	57,335
Cash and cash equivalents at beginning	7,617	78,337	27,434	205,884
Cash and cash equivalents at end	¥78,337	¥ 27,434	¥ 35,074	\$ 263,219

The accompanying notes are an integral part of these statements.

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Nichiei Co., Ltd. (the "Company") and its consolidated subsidiary, Nihonshinyouhoshou Corporation (together, "Nichiei") in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards. The accompanying consolidated financial statements and the notes thereto have been prepared to reflect the requirements of The Order concerning Accounting and Reporting for Certain Finance Providers ("the Order").

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified and/or recapitulated for the convenience of readers outside Japan.

The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements and the notes thereto are included solely for the convenience of readers outside Japan. The rate of ¥133.25 = U.S.\$1, the rate of exchange on March 31, 2002, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that or any rate.

2. Significant Accounting Policies

(a) Scope of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiary, Nihonshinyouhoshou Corporation. There are no unconsolidated subsidiaries. Intercompany balances, transactions and unrealized profits have been eliminated in consolidation.

(b) Recognition of Revenues

Nichiei provides several types of loans to small and medium-sized businesses.

1. Interest income on loans: Interest for the entire term of the loans on notes is received in the form of promissory notes at the inception of the loans, and Nichiei recognizes interest income on loans using the straight-line method over the respective terms of the loans on notes.
2. Discount fees: The Company purchases commercial notes from customers. Discount fees on purchases of such commercial notes are recognized as revenue on an accrual basis over the periods ending at the maturity dates of such commercial notes.
3. Guarantee commissions and Commissions earned: Guarantee commissions charged by the consolidated subsidiary and commissions earned by Nichiei are recognized as revenue on an accrual basis.

(c) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided for in an amount equal to the estimated uncollectible portion of defaulted loans and discounted commercial notes, such estimates being made based on statistical data on past default records and the probability of collection of defaulted loans and discounted commercial notes.

(d) Reserve for losses incurred in disputes over loans

Reserve for losses incurred in disputes over loans is provided for in an amount equal to the estimated losses on settlements of disputes.

Effective in the fiscal year ended March 31, 2002, Nichiei adopted a new accounting policy of reserve for losses incurred in disputes over loans. In compliance with this new accounting policy, reserve for losses incurred in disputes over loans, of which the gross amount is ¥37,255 million (\$279,587 thousand), was provided for and recognized in non-operating expenses.

Until the year ended March 31, 2001, with regard to the outstanding balance of loans under disputes, an allowance for doubtful accounts was provided for in an estimated uncollectible amount based on past statistical data and the provision was stated in operating expenses.

As a result of the adoption of the new accounting policy, with regard to the outstanding balance of loans under disputes, an allowance for doubtful accounts is not provided for as of March 31, 2002. Accordingly, as of March 31, 2002, the remainder of the allowance for doubtful accounts concerning the outstanding balance of loans under disputes was reversed. The reversal, of which the amount is ¥7,510 million (\$56,359 thousand), was recognized in non-operating income. In the accompanying consolidated statements of income, provision for reserve for losses incurred in disputes over loans is stated in non-operating expenses in the amount of ¥29,745 million (\$223,228 thousand), net of the reversed amount of the allowance for doubtful accounts.

(e) Property and Equipment

Depreciation is computed by the declining balance method, except for buildings acquired on and after April 1, 1998 to which the straight-line method is applied, at rates based on the estimated useful lives of assets.

Estimated useful lives of the assets are principally as follows:

- Buildings and structures: 3 to 50 years
- Furniture and fixtures: 3 to 20 years

(f) *Computer Software developed for Internal Use*

Amortization of computer software, which is included in "Other assets", is principally computed on the straight-line method over 5 years, that being the estimated useful life.

(g) *Bond Issue Expense*

Bond issue expense of Nichiei is capitalized and amortized on the straight-line method over the period of 3 years as permitted by the Japanese Commercial Code or the life of the bond, whichever is shorter.

(h) *Lease Transactions*

Where the financing leases do not transfer ownership of leased property to the lessee, the leased property is not capitalized and the related rental expenses are charged to income in the periods in which they are incurred.

(i) *Financial Instruments*

Until the year ended March 31, 2000, securities listed on stock exchanges are stated at the lower price of cost or market, cost being determined by the moving-average method. Write-down to market value is made individually. Other securities are stated at cost determined by the moving-average method.

Effective from the year ended March 31, 2001, Nichiei adopted the new Japanese accounting standard for financial instruments, which is effective for periods beginning on or after April 1, 2000. As a result of adopting the new standard, loss before income taxes for the year ended March 31, 2001, has increased by ¥3,336 million, as compared with the amount that would have been reported if the previous standard had been applied consistently.

1. *Derivatives*

Under the new standard, all derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see 3. Hedge Accounting below).

2. *Securities*

Securities under the new standard are classified into four categories;

Trading securities, which are held for the purpose of generating profits on short-term differences in prices, are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise.

Held-to-maturity debt securities that Nichiei has intent to hold to maturity are stated at cost after accounting for premium or discount on acquisition, which is amortized or accumulated over the period to maturity.

Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for by the equity method, with the exception of investments in certain unconsolidated subsidiaries and affiliates, which are stated at cost because the effect of applying the equity method would be immaterial.

Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount.

Other securities for which market quotations are unavailable are stated at cost, except as stated in the paragraph below.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates or other securities has declined significantly, and such impairment of the value is not deemed temporary, those securities are to be written down to the fair value, and the resulted losses are included in net profit or loss for the period.

Trading and debt securities due within one year are presented as "current", and all the other securities are presented as "non-current".

3. *Hedge Accounting*

The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value, but the amounts paid or received under the swap agreements are recognized and included in interest expenses or income.

(j) *Income Taxes*

Income taxes were determined using the assets and liabilities approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax base of assets and liabilities and those as reported in the financial statements.

(k) *Retirements and Severance Benefits*

From the year ended March 31, 2001, Nichiei adopted the Financial Accounting Standard for Retirement and Severance Benefits.

Nichiei has calculated the reserve for employee retirement and severance benefits with actuarially calculated amounts on the basis of the cost of retirement benefit and pension plan assets at the end of the fiscal year. The cumulative effect of change was immaterial and was charged to income.

Benefits under the plan are generally based on the current rate of base monthly salary, expected length of service and certain other factors.

(l) *Basic Net Income (Loss), Diluted Net Income and Cash Dividends per Share*

Net income (loss) per share is computed based on the weighted-average number of shares of common stock outstanding during each year.

The amounts of cash dividends are such dividends declared as applicable to the respective periods.

Diluted net income per share assumes the dilution that could occur if all the convertible bonds were converted, resulting in the issuance of common stock.

(m) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less which represent a minor risk of fluctuations in value.

Adjustments to reconcile cash and bank deposits in the accompanying consolidated balance sheets to cash and cash equivalents in the accompanying consolidated statements of cash flows were as follows;

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2000	2001	2002	2002
Cash and bank deposits	¥78,347	¥27,434	¥35,074	\$263,219
Bank deposits with a maturity of over three months	(10)	—	—	—
Cash and cash equivalents	¥78,337	¥27,434	¥35,074	\$263,219

As non-cash financing activity, conversion of convertible bonds were ¥20 million, ¥2,950 million and ¥12,720 million (\$95,459 thousand) for the year ended March 31, 2000, 2001 and 2002, respectively.

(n) Finance cost for operating activities

In accordance with the Order, all finance costs incurred for operating activities are classified as finance cost for operating activities. Finance cost for operating activities for the year ended March 31, 2000, 2001 and 2002 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2000	2001	2002	2002
Interest expenses	¥ 7,622	¥4,480	¥4,571	\$34,307
Commissions paid	824	160	2,428	18,221
Losses on transfers of loans on notes	3,108	—	—	—
Other	517	930	535	4,015
Total	¥12,071	¥5,570	¥7,534	\$56,543

Other than those interest expenses included in finance cost for operating activities shown above, interest expenses concerning the debt capital used for non-operating activities such as acquisition of property and equipment are stated in non-operating expenses in the accompanying consolidated statements of income.

3. Loans and Discounted Commercial Notes

The following table shows the composition of loans and discounted commercial notes as of March 31, 2001 and 2002.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Loans on notes	¥185,759	¥150,232	\$1,127,442
Loans on deeds	13,010	8,140	61,087
Discounted commercial notes	104,707	57,064	428,251
Total	¥303,476	¥215,436	\$1,616,780

4. Problem Loans

In accordance with the provisions set forth in the Order, problem loans as of March 31, 2001 and 2002 were analyzed as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Loans to borrowers under bankruptcy proceedings	¥ 3,044	¥ 2,681	\$ 20,122
Non-accrual status loans	—	—	—
Loans past due for three months or longer	73,924	72,124	541,266
Loans with altered lending conditions	18,992	16,164	121,308
	¥95,960	¥90,969	\$682,696

The balances in the above table, other than loans to borrowers under bankruptcy proceedings, are included in loans and discounted commercial notes in the accompanying consolidated balance sheets.

Each item of the above table is defined in the Order as follows:

1. Loans to borrowers under bankruptcy proceedings: Loans fallen within the purview of certain articles of the Implementation Ordinances for the Corporation Tax Law (Government Ordinance No. 97, 1965) of such loans expected not to be recovered from either customers or the relevant guarantors.
2. Non-accrual status loans: Loans expected not to be recovered from either customers or the relevant guarantors other than those categorized as loans to borrowers under bankruptcy proceedings.
3. Loans past due for three months or longer: Loans of which collection of either principal or interest is outstanding for three months or longer after the payment dates stipulated in the relevant loan contract other than those falling in the above two categories.
4. Loan with altered lending conditions: Loans for which more favorable terms and conditions, including reduction of principal and/or interest, are given to lenders or guarantors for the purpose of providing assistance to rehabilitation of their business other than those falling in the above three categories.

5. Deposits

Deposits are maintained due mainly to securitization of notes accounted for as secured borrowings.

6. Notes Receivable

Interest income, guarantee commissions and other commissions relating to loans on notes are received in the form of promissory notes or post-dated checks at the inception of the loans.

7. Allowance for Doubtful Accounts

Credit loss experience and allowance for doubtful accounts provided for the years ended March 31, 2000, 2001 and 2002 were summarized as follows:

	2000	Millions of yen		Thousands of U.S. dollars (Note 1)
		2001	2002	2002
Balance at beginning	¥59,547	¥77,788	¥62,823	\$471,469
Write-off against the allowance	(22,607)	(72,712)	(36,334)	(272,674)
Reversal of the allowance*	—	—	(7,510)	(56,359)
Provision for allowance for doubtful accounts	40,848	57,747	7,620	57,185
Balance at end	¥77,788	¥62,823	¥26,599	\$199,621

* Reversal of the remainder of the allowance for doubtful accounts concerning the outstanding balance of loans under disputes (See Note 2 (d) Reserve for losses incurred in disputes over loans).

8. Reserve for losses incurred in disputes over loans

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2002	2002
Balance at beginning	¥ —	—	\$ —
Write-off against the reserve	—	—	—
Provision for reserve for losses incurred in disputes over loans	37,255	—	279,587
Balance at end	¥37,255	—	\$279,587

With respect to the reconciliation of the amount of provision for reserve for losses incurred in disputes over loans between in the accompanying consolidated statements of income and in the above table, see Note 2 (d) Reserve for losses incurred in disputes over loans.

9. Marketable Securities and Investments in Securities

All securities held by Nichiei as of March 31, 2001 and 2002 are treated as other securities. Other securities with market value as of March 31, 2001 and 2002 are summarized as follows:

	Millions of yen			
	2001			
	Cost*	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	¥3,534	¥2,284	¥(370)	¥5,448
Bonds	—	—	—	—
Other	152	4	(9)	147
Total	¥3,686	¥2,288	¥(379)	¥5,595

	Millions of yen			
	2002			
	Cost*	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	¥2,452	¥41	¥(745)	¥1,748
Bonds	—	—	—	—
Other	100	—	(24)	76
Total	¥2,552	¥41	¥(769)	¥1,824

	Thousands of U.S. dollars (Note 1)			
	2002			
	Cost*	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	\$18,401	\$305	\$(5,590)	\$13,116
Bonds	—	—	—	—
Other	750	—	(182)	569
Total	\$19,151	\$305	\$(5,772)	\$13,685

* Book value at March 31, 2000 or acquisition cost if acquired on and after April 1, 2000.

Other securities sold for the years ended March 31, 2001 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
	Total sales amount	¥—	¥3,556
Total gain on sales	—	2,104	15,793
Total loss on sales	—	—	—

Other securities with non-market value as of March 31, 2001 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
	Other securities		
Unlisted companies' stock	¥5	¥5	\$40

10. Land Revaluation

In accordance with the Law concerning Land Revaluation, Nichiei revaluated the land used for business activities as at March 31, 2002. The fair values of the land were determined in compliance with the paragraph 3 in Article 2 of the Enforcement Ordinance for the Law concerning Land Revaluation with appropriate adjustments.

The revaluation loss was ¥20,898 million (\$156,832 thousand), all of which was directly deducted from the shareholders' equity.

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2002	2002
Book value before revaluation	¥30,256	\$227,061
Book value after revaluation	9,358	70,229
	20,898	156,832
Deferred income tax	—	—
Unrealized losses from land revaluation	¥20,898	\$156,832

11. Short-term Debt and Long-term Debt

Short-term borrowing included in short-term debt as of March 31, 2001 and 2002 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Banks	¥13,190	¥12,485	\$ 93,696
Securitization of loans on notes and discounted commercial notes	16,980	26,775	200,935
Other	—	1,650	12,382
Total	¥30,170	¥40,910	\$307,013

Maximum and average month-end balances outstanding for the years ended March 31, 2001 and 2002, with respect to short-term debt were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Maximum month-end balance	¥102,775	¥84,588	\$634,806
Average month-end balance	70,239	60,831	456,515

Interest rates ranged from 1.88% to 3.07% as of March 31, 2002

Long-term debt as of March 31, 2001 and 2002 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Loans from banks and other financial institutions (interest rates ranging from 0.94% to 4.00% as of March 31, 2002)	¥ 37,464	¥18,774	\$140,890
Securitization of discounted commercial notes	40,000	21,678	162,689
3.4% secured bonds, due August 2003	800	800	6,004
1.75% unsecured convertible bonds, due March 2014	34,980	25,980	194,972
2.0% secured bonds, due July 2004	1,000	1,000	7,505
2.5% unsecured bonds, due August 2003	12,700	12,590	94,484
2.96% unsecured bonds, due August 2004	8,600	8,600	64,540
0.875% unsecured convertible bonds, due March 2005	21,550	8,830	66,266
	157,094	98,252	737,350
Less: current portion of long-term debt	(21,996)	(11,932)	(89,546)
	¥135,098	¥86,320	\$647,804

The aggregate annual maturities of long-term debt as of March 31, 2002 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2002	2002
April 1, 2002 through March 31, 2003	¥11,932	\$ 89,546
April 1, 2003 through March 31, 2004	16,888	126,742
April 1, 2004 through March 31, 2005	42,272	317,234
April 1, 2005 through March 31, 2006	348	2,612
April 1, 2006 through March 31, 2007	319	2,394
April 1, 2007 and thereafter	26,493	198,822
	¥98,252	\$737,350

The conversion price per share of 1.75 % unsecured convertible bonds, due March 2014 is ¥7,636 (\$57) as of March 31, 2002.
The conversion price per share of 0.875 % unsecured convertible bonds, due March 2005 is ¥888 (\$7) as of March 31, 2002.

As of March 31, 2001 and 2002, the following assets were pledged as collateral for short-term debt and long-term debt:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Bank deposits	¥ 7,880	¥ 7,775	\$ 58,350
Discounted commercial notes	88,558	42,484	318,830
Notes received for loans on notes	43,599	26,527	199,079
Buildings	11,939	12,615	94,669
Land	23,907	7,382	55,399
Investments in securities	4,219	1,219	9,147
Total	¥180,102	¥98,002	\$735,474

As of March 31, 2001 and 2002, the liabilities to which the above assets are collateralized were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Short-term debt	¥ 30,170	¥40,910	\$307,013
Current portion of long-term debt	20,503	10,042	75,363
Long-term debt	54,520	29,995	225,102
Total	¥105,193	¥80,947	\$607,478

In addition to the above liabilities shown below are those to which provision of collateral is reserved:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Liabilities			
Current portion of long-term debt	¥ 644	¥1,590	\$11,932
Long-term debt	1,740	—	—
Total	¥2,384	¥1,590	\$11,932

The discretion of Nichiei's use of the following assets would be restricted upon the occurrence of certain events in conjunction with the securitization of notes accounted for as secured borrowings:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Current assets			
Deposits	¥11,843	¥26,443	\$198,372
Total	¥11,843	¥26,443	\$198,372

12. Securitization of discounted Commercial Notes and Loans on Notes

Nichiei enters into several contracts of securitization of notes. In compliance with each condition of contracts, Nichiei accounts for each securitization of notes as secured borrowings or as transfers of receivables.

1. Securitization of notes accounted for as secured borrowings

Securitization of discounted commercial notes and certain securitizations of loans on notes under specific contracts are accounted for as secured borrowings.

Discounted commercial notes and loans on notes as of March 31, 2001 and 2002, which are included in loans and discounted

commercial notes in the accompanying consolidated balance sheets and included in assets pledged as collateral stated in Note 11, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Discounted commercial notes	¥88,558	¥41,385	\$310,583
Loans on notes	7,771	9,759	73,241
	¥96,329	¥51,144	\$383,824

In the specific contract of certain securitization of loans on notes, part of certain subordinated beneficial interests, which are retained interests in the securitization of discounted commercial notes mentioned above, are transferred. The amount of the transferred part of certain subordinated beneficial interests under the contract is ¥11,173 million (\$83,852 thousand) as of March 31, 2002. The subordinated beneficial interests are not recognized in accounting treatment, for the securitization of discounted commercial notes is accounted for as secured borrowings.

2. Securitization of notes accounted for as a transfer of receivables

Certain securitizations of loans on notes under specific contracts are accounted for as transfers of receivables.

Loans on notes and notes receivable as of March 31, 2001 and 2002, which are excluded from loans and discounted commercial notes and notes receivable, respectively in the accompanying consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Loans on notes	¥—	¥31,268	\$234,657
Notes receivable	—	2,603	19,537
	¥—	¥33,871	\$254,194

The related realized gains are stated as gain on transfers of loans on notes and incurred losses are included in finance cost for operating activities in the accompanying consolidated statements of income.

13. Retirement Benefit Plan

Nichiei has a tax approved pension scheme which is a defined benefit plan.

The reserve for retirement benefits as of March 31, 2001 and 2002 is analyzed as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Retirement benefit obligation			
Plan assets	¥(536)	¥(579)	\$(4,345)
Reserve for retirement benefits (included in "other non-current liabilities")	514	525	3,943
	¥ (22)	¥ (54)	\$ (402)

Retirement benefit cost related to the retirement benefits for the year ended March 31, 2001 and 2002 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Service cost	¥104	¥121	\$ 903
Interest cost	16	16	121
Expected return on plan assets	(17)	(13)	(96)
Amortization of cumulative effect upon transition	(49)	—	—
Amortization of actuarial difference	113	45	339
Retirement benefit cost	¥167	¥169	\$1,267

Assumptions used in calculation of the above information were as follows:

	2001	2002
Discount rate	3.0%	2.0%
Expected rate of return on pension plan assets	3.0%	2.5%
Method of attribution benefits to years of service	straight-line basis	straight-line basis
Amortization years of actuarial difference	one year	one year
Amortization years of cumulative effect upon transition	one year	—

14. Income Taxes

Nichiei is subject to a number of different taxes based on income, which in the aggregate indicate an effective statutory tax rate of approximately 41.4 % for the year ended March 31, 2001 and 2002.

Deferred tax assets have been recorded in the accompanying balance sheets, which are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Deferred tax assets:			
Allowance for doubtful accounts	¥14,113	¥ 4,521	\$ 33,932
Reserve for losses incurred in disputes over loans	—	15,427	115,777
Accrued income	13,119	4,685	35,159
Tax loss carryforwards	12,189	26,006	195,165
Deferred income	981	—	—
Loan losses	972	—	—
Deferred income tax related to land revaluation	—	8,654	64,945
Other	1,091	2,606	19,558
Gross deferred tax assets	42,465	61,899	464,536
Less: Valuation allowance	(27,661)	(21,258)	(159,534)
Total deferred tax assets	14,804	40,641	305,002
Deferred tax liabilities:			
Unrealized gains on other securities	(791)	—	—
Total deferred tax liabilities	(791)	—	—
Net deferred tax assets	¥14,013	¥40,641	\$305,002

Net deferred tax assets as of March 31, 2001 and 2002 are included in the accompanying consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Current assets			
Deferred income taxes	¥12,107	¥15,122	\$113,487
Investments and other assets			
Deferred income taxes	1,906	25,519	191,515
	¥14,013	¥40,641	\$305,002

The aggregate statutory tax rate was approximately 41.4% for the year ended March 31, 2000, 2001 and 2002. The reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2000, 2001 and 2002 was summarized as follows:

	2000	2001	2002
Statutory tax rate	41.4%	41.4%	41.4%
Expenses not deductible for income tax purposes	7.9	(0.2)	(0.3)
Revenue not deductible for income tax purposes-dividends and others	(0.6)	0.0	0.0
Valuation allowance for deferred tax assets*	3,012.5	(29.2)	61.8
Taxation on undistributed income	394.8	—	—
Inhabitants' per capita taxes	28.6	—	(0.3)
Reversal of previous year's income taxes	(250.9)	—	—
Other	1.1	(1.6)	(1.4)
Effective income tax rate	3,234.8%	10.4%	101.2%

*Valuation allowance for deferred tax assets is mainly due to the Company's subsidiary.

15. Lease Transactions

The aggregate future lease payments relating to financing leases, which do not transfer ownership of leased properties to the lessee, as of March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Due within one year	¥241	¥163	\$1,220
Due after one year	240	138	1,038
	¥481	¥301	\$2,258

A summary of the leased properties under the above leases as of March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Furniture and fixtures			
Cost	¥2,757	¥792	\$5,941
Less: Accumulated depreciation	(2,276)	(491)	(3,683)
	¥ 481	¥301	\$2,258

The amounts of lease rental charged to income were ¥841 million, ¥688 million and ¥248 million (\$1,864 thousand) for the years ended March 31, 2000, 2001 and 2002, respectively.

The depreciation expense used in the calculation above, which is not charged to income, is computed by the straight-line method over the terms of the related leases.

16. Contingent Liabilities

Nichiei was not contingently liable for any guarantees of loans as of March 31, 2001 and 2002.

17. Shareholders' Equity

The amended Japanese Commercial Code, effective on October 1, 2001, provides that an amount equal to at least 10 per cent. of cash dividends and other appropriations of retained earnings, paid out with respect to each financial period as well as the amount of 10 per cent. of interim cash dividends be set aside in legal reserve until an aggregate amount of additional paid-in capital and the legal reserve equals 25 per cent. of the amount of stated capital. The additional paid-in capital and the legal reserve may be transferred to stated capital by a resolution of the board of directors or used to reduce a deficit by shareholders' resolution, but they are not available for dividend payment. On condition that the aggregate amount of additional paid-in capital and the legal reserve remains equal to or exceeding 25 per cent. of the amount of stated capital, it is available for distributions by the resolution of the shareholders' meeting within a certain limit. The balances of the reserve as of March 31, 2001 and 2002 were ¥2,637 million and ¥2,705 million (\$20,300 thousand), respectively.

Under the Japanese Commercial Code, the entire amount of the issue price of new shares is required to be accounted for as common stock although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of such new shares as additional paid-in capital.

18. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three years ended March 31, 2000, 2001 and 2002 consisted of the following:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2000	2001	2002	2002
Personnel expenses	¥14,146	¥11,858	¥10,769	\$ 80,815
Provision for allowance for doubtful accounts	40,848	57,747	7,620	57,185
Loan losses	8,517	12,401	1,975	14,819
Advertising expenses	3,101	489	993	7,452
Other	14,544	13,899	11,511	86,388
Total	¥81,156	¥96,394	¥32,868	\$246,659

19. Derivative Financial Instruments

The Company enters into interest rate contracts to manage its exposure to changes in financing interest rates. The Company enters into interest rate swap agreements to manage the fixed / floating interest rate mix of its debt portfolio to reduce the aggregate risk of interest rate movements. Also the Company pays premiums for interest rate cap agreements to protect the Company from rising interest rates on its floating-rate debt.

The notional amount, fair value and unrealized gain / (loss) of interest rate swap agreements and interest rate cap agreements as of March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Interest rate swap agreements			
Notional amount	¥50,000	¥50,000	\$375,235
Fair value	(3,360)	(2,677)	(20,089)
Interest rate cap agreements			
(purchased)			
Notional amount	53,000	13,000	97,561
Fair value	29	10	76
Unrealized gain/(loss)	(459)	(275)	(2,066)
(written)			
Notional amount	40,000	—	—
Fair value	0	—	—
Unrealized gain/(loss)	52	—	—

1. Fair values of interest rate swap agreements and interest rate cap agreements were based on the amounts quoted from dealers.
2. Financial derivative transactions accounted for as hedging transactions as of March 31, 2001 and 2002 are excluded from the above table.

20. Segment Information

Nichiei mainly provides financial services such as providing business loans, discounts of commercial notes and loan guarantees to respond to the various needs of small and medium-sized companies. The processes of those financial service operations from credit assessment to collection are identical. Therefore, Nichiei recognizes all financial operations as a single sector to be segmented in one industry, although the consolidated statements of income disclose revenues by type of finances. Revenues, operating income and assets employed in this segment are more than 90 per cent of all segmentation aspects of the Nichiei operation.

21. Transactions and Balances with Related Parties

As of March 31, 2001 and 2002, the transactions and the balances of Nichiei with officers of Nichiei or related parties were as follows:

		Transactions made for the year ended March 31		
Name	Description of transaction	Millions of yen		Thousands of U.S. dollars (Note 1)
		2001	2002	2002
Kazuo Matsuda	Real estate rent paid	¥74	¥ 77	\$ 577
Kazuo Matsuda	Real estate deposit paid	—	—	—
Kazuo Matsuda	Sales of property and equipment			
	Proceeds from sales	—	1,271	9,538
	Loss on sales	—	302	2,269
		Balances as of March 31		
Name	Description of balance	Millions of yen		Thousands of U.S. dollars (Note 1)
		2001	2002	2002
Kazuo Matsuda	Other current assets	¥ 6	¥ 7	\$ 51
Kazuo Matsuda	Other assets	46	46	345

As of March 31, 2001 and 2002, the transactions and the balances of Nichiei with companies owned by the officers of Nichiei or their relations were as follows:

		Transactions made for the year ended March 31		
Name of companies	Description of transaction	Millions of yen		Thousands of U.S. dollars (Note 1)
		2001	2002	2002
Matsuda Kankou	Real estate rent received	¥ 7	¥ 12	\$ 90
Matsuda Kankou	Borrowing and repayment	1,050	7,600	57,037
Matsuda Kankou	Payment of interest on borrowing	20	90	674
Matsuda Kankou	Payment of real estate management commission	16	32	237
Matsuda Kankou	Receipt of real estate deposit received	—	2	17
Matsuda Enterprise	Borrowing and repayment	1,200	—	—
Matsuda Enterprise	Payments of interest on borrowing	22	—	—
Ohkei Finance	Real estate rent received	9	20	147
Ohkei Finance	Repayment of borrowing	—	—	—
Ohkei Finance	Borrowing and repayment	5,700	—	—
Ohkei Finance	Payment of interest on borrowing	42	—	—
Ohkei Finance	Return of real estate deposit received	—	—	—
Ohkei Finance	Receipt of real estate deposit received	2	—	—

30

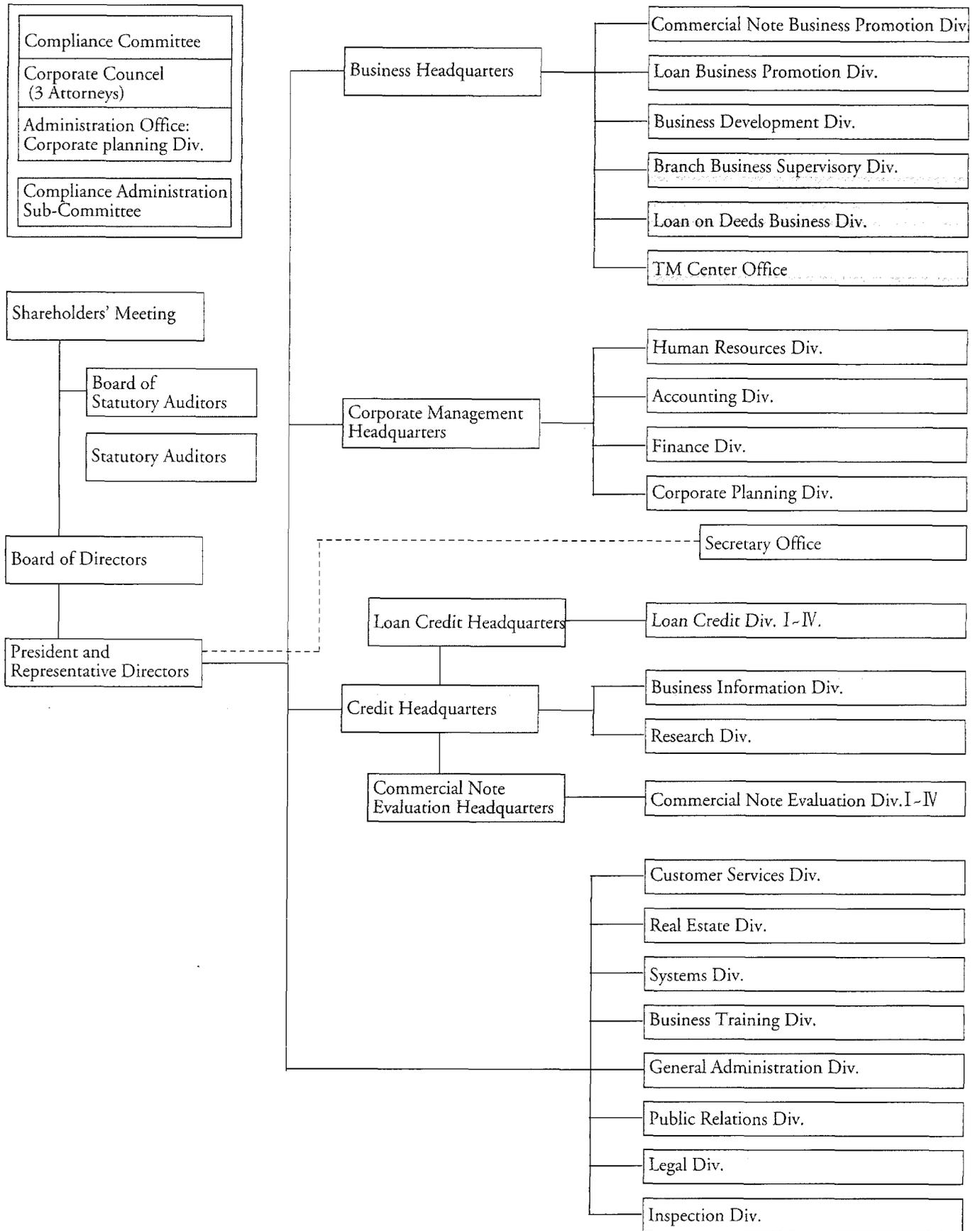
		Balances as of March 31		
Name of companies	Description of balance	Millions of yen		Thousands of U.S. dollars (Note 1)
		2001	2002	2002
Matsuda Kankou	Deferred revenues	¥ 1	¥ —	\$ —
Matsuda Kankou	Other non-current liabilities	—	2	17
Ohkei Finance	Deferred revenues	2	—	—
Ohkei Finance	Other non-current liabilities	2	2	16

22. Subsequent Events

The appropriations of retained earnings in respect of the year ended March 31, 2002 proposed by the Company's Board of Directors and approved by the shareholders' meeting held on June 27, 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2002	2002
Cash dividends (¥12.5 per share)	¥1,005		\$ 7,543

Organization Chart (as of June 30,2002)



Board of Directors

Corporate Data

President and CEO:

Ryuichi Matsuda

Managing Directors:

Norio Chihara

Hiroshi Matoba

Directors:

Yunosuke Atarashi

Toshio Munakata

Kazuya Yamazaki

Akira Suzuki

Statutory Auditors:

Takeshi Noishiki

Bunyu Kajima

Takuya Goto

Masaki Tsukiji

Masahiro Maeda

(As of June 30, 2002)

Company:

Nichiei Co., Ltd.

Head Office:

60, Goshonouchi-Nakamachi, Shichijo,
Shimogyo-ku, Kyoto 600-8550, Japan

Tel: (075) 321-6161

<http://www.nichiei.shimogyo.kyoto.jp>

Transfer Agent and Registrar:

The Mitsubishi Trust and Banking Corporation

2-11-1, Nagatacho, Chiyoda-ku,

Tokyo 100-8212, Japan

Establishment:

March 1970

Common Stock:

Authorized 188,039,100 shares

Issued 81,738,490

Paid-in Capital:

¥49,886,979,162

Number of Shareholders:

31,747

Number of Employees:

1,410

Stock Listings:

Tokyo, Osaka, Frankfurt

Number of Branch Offices:

110

Principal subsidiary:

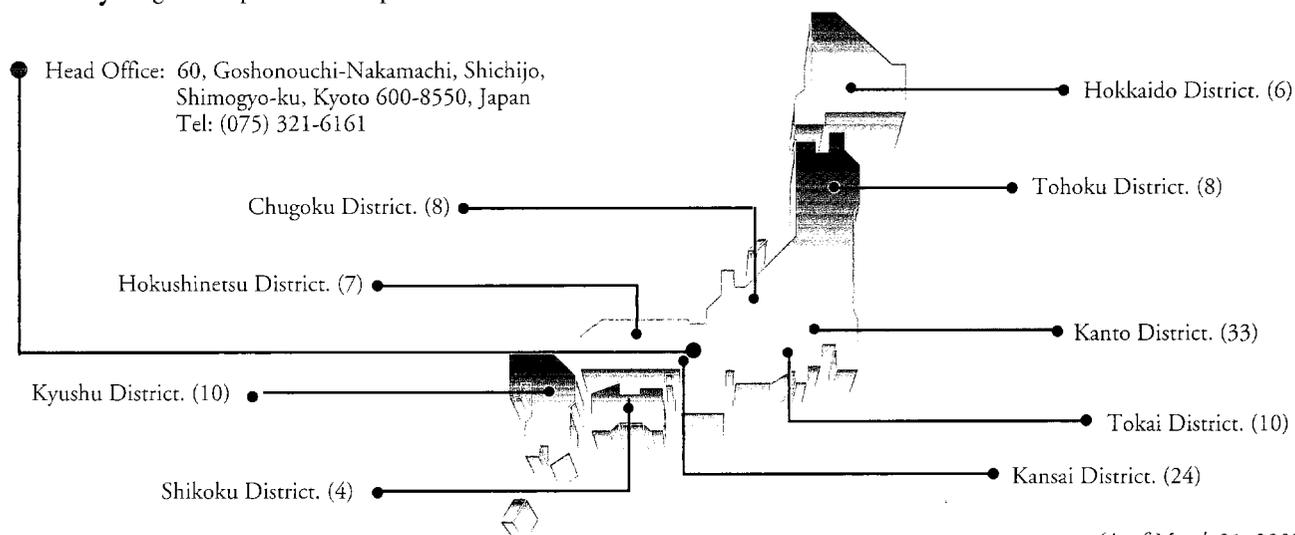
Nihonshinyouhoshou Corporation

(As of March 31, 2002)



Directory / Corporate History

Directory Figures in parenthesis represent the number of branches in each area.



(As of March 31, 2002)

Corporate History

March 1970

Established Nichiei Co. Ltd. (paid-in capital: 6 million yen)

April 1975

Opened Tokyo branch, began expanding branches nationwide

January 1978

Handling of loans on notes starts

February 1984

Registered as finance company in line with implementation of the Law on Finance Company Regulations

April 1985

Completed headquarters in Ukyo Ward, Kyoto City

May 1985

Total of 35 branch offices

February 1986

Installed FACOM-M320E computerized system

June 1987

Total of 50 branch offices

January 1989

Total of 80 branch offices

February 1990

Total of 100 branch offices

November 1990

Registered shares as over-the-counter issue with the Japan Securities Dealers Association

December 1990

Installed ACOS3400 computerized system

March 1991

Total of 112 branch offices

May 1991

Established Nihonshinyouhoshou Corporation (a 100% subsidiary)

November 1992

Total of 130 branch offices

May 1993

Installed ACOS3600-8 computerized system

October 1993

Total of 140 branch offices

December 1993

Listed on the Second Section of the Osaka Securities Exchange and Kyoto Stock Exchange

October 1994

Total of 152 branch offices

March 1995

Listed on the Second Section of the Tokyo Stock Exchange

June 1995

Total of 160 branch offices

March 1996

Opened new headquarters in Shimogyo Ward, Kyoto City

April 1996

Installed PX7800 computerized system

May 1996

Total of 167 branch offices

September 1996

Listed on the First Section of the Tokyo Stock Exchange and the First Section of the Osaka Securities Exchange

November 1996

Total of 182 branch offices

December 1997

Total of 200 branch offices

March 1998

Constructed the computer center

March 1999

Total of 210 branch offices

June 1999

Registered as a specified Finance Company designated in the "Law on the Issuance of Corporate Bonds for the Loan Business of Financial Companies"

October 1999

Listed on the Frankfurt Stock Exchange

January 2000

Closed and merged 30 branch offices to create a total of 180 branch offices

March 2000

Established Compliance Committee
Closed and merged 30 branch offices to create a total of 150 branch offices

September 2000

Closed and merged 25 branch offices to create a total of 125 branch offices

October 2000

Joint establishment of unlisted company investment funds with Mirai Securities Co., Ltd.

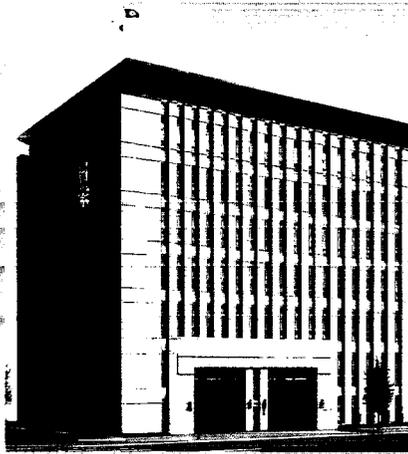
January 2001

Closed and merged 15 branch offices to create a total of 110 branch offices nationwide

April 2002

Opened the TM (Telephone Marketing) Center

(As of June 30, 2002)



NICHIEI CO., LTD.

1000, Ginza, Chiyoda-ku, Tokyo, Japan

Telephone: 3-33-1111

Telex: 3333

Representative: Nichiei Co., Ltd.