PROMISE

ANNUAL REPORT 1998

Year ended March 31, 1998

OUR FUNDAMENTAL BUSINESS STRATEGY

At Promise, our *fundamental strategy* is to conduct business with a balanced management style, seeking high profitability while at the same time maintaining and strengthening a superior financial structure. We achieve these goals by focusing on our core business of unsecured consumer loans, practicing sound management, emphasizing asset and liability management, and targeting greater operating efficiency.

Consequently, our *top priority* is achieving growth in our unsecured consumer loans, because they form the basis of our profitability. We back this policy up, however, through the use of strict credit evaluation and prudent credit policies to ensure excellent credit quality. At the same time, we focus on controlling costs by increasing efficiency.

our methods of realizing these strategic policies center on increasing the number of loan accounts rather than the amount of individual loans and on improving operational efficiency by expanding our network through the greater use of unstaffed branches, Irasshai Machines (automated credit providers), automatic teller machines (ATMs), and tie-up ATMs and cash dispensers (CDs).

Promise boasts several major *competitive advantages* that underpin these strategies; the well-recognized "Promise" brand name, one of the largest, best established marketing networks in the industry, and a highly developed risk management system.

The thought behind our name

When Promise was established, we departed from the practice of requiring guarantors, authentication of personal seals and inquiry with the applicant's neighbors regarding his credit standing, each of which had been conventionally required as a precondition for borrowing in Japan. Ryoichi Jinnai, the founder of the Company who developed a system which is truly committed to the customer, named the Company "Promise", as a symbol of the policy under which the customer and the company mutually pledge (promise) to honor their loan obligations enabling business transactions to be conducted on an equal footing and in a pleasant manner.

Contents

Non-Consolidated Financial Highlights

Promise Co., Ltd.
Years ended March 31

	Millions of Yen		Thousands of U.S. Dollars	Percent Change
	1998	1997	**1998**	1998/1997
Financial Results				
Total operating income	**¥220,330**	¥198,897	**$1,667,900**	10.8
Operating profit	**86,140**	76,914	**652,083**	12.0
Net income	**38,668**	34,690	**292,720**	11.5
Consumer loans outstanding	**866,634**	784,201	**6,560,439**	10.5
Total assets	**1,111,885**	989,670	**8,416,991**	12.3
Total shareholders' equity	**265,016**	231,359	**2,006,177**	14.5

Note: U.S. dollar amounts represent translations of yen, for convenience only, at the rate of ¥132.10 to U.S.$1, the approximate exchange rate at March 31, 1998.

Profile

Promise is the third largest consumer finance company in Japan with over 2.1 million customers and ¥866,634 million ($6.6 billion) in loans outstanding as of the end of fiscal 1998. The Company has a network of 1,005 loan branches, including 585 unstaffed branches, as well as 1,335 ATMs and 977 Irasshai Machines (automated credit providers). In addition, customers may access funds through a tie-up network of 15,702 ATMs and CDs run by other financial institutions throughout Japan.

Promise also operates seven audio and video software rental shops and three outdoor leisure goods shops.

Promise principally provides individuals with unsecured and unguaranteed loans, the majority of which are limited to ¥500,000. Customers who meet special credit requirements may borrow up to ¥1 million. The chief features of the Company's loan services are quick and convenient access to funds for those who meet Promise's stringent credit standards coupled with the lowest interest rates in the consumer finance industry.

The Company has achieved an impressive growth record over the past few years, with the balance of loans outstanding expanding by 76 percent since 1993 and nonconsolidated net income rising 433 percent during the same period. Promise's shares are listed on the First Section of the Tokyo Stock Exchange.

The Year's Highlights

Promise's growth remains firm

Unsecured loans, the Company's core business, continued their upward course during fiscal 1998, with the balance of outstanding loans increasing 10.7 percent, to ¥858,225 million. The average balance per account rose only slightly, to ¥401,000 from ¥389,000. The growth in outstanding loans could mainly be attributed to the increase in the number of loan accounts, which rose 7.2 percent, to 2,135,000. These figures represented quality growth. The write-off ratio for unsecured loans advanced slightly from 2.1 percent to 2.4 percent (including secured loans, the write-off ratio increased from 2.2 percent to 2.4 percent), mainly reflecting worsening economic conditions in Japan.

The solid growth achieved during the fiscal year in review was evidence that Promise will remain highly competitive in the consumer finance industry despite the heightened competition and significant changes that may occur because of the progressive deregulation expected under the Big Bang reforms of Japan's financial system.

Accelerated network expansion

Promise accelerated its expansion of unstaffed branches and broadened its ATM network during fiscal 1998, maintaining one of the largest network of branches among consumer finance specialists. The number of loan branches surged 34.0 percent to 1,005 branches (including secured loan branches) and the number of Irasshai Machines (automated credit providers) jumped 40.6 percent to 977 units. Promise's own network of ATMs expanded 26.4 percent to 1,335 units, while its tie-up network with other financial institutions soared 27.2 percent to 15,702 machines.

This rapid growth in the Company's network is a function of its strategies to expand the number of unsecured loan accounts, improve customer convenience, and reduce operating expenses through the greater use of cost-efficient unstaffed facilities. Advances in information and automation technologies have also contributed to the feasibility of the greatly expanded network.

Accessing global capital markets

In June 1998, Promise made its first international share offering, raising approximately ¥40,990 million through the issue of 7,300,000 new shares. Concurrently, a similar offering of 3,700,000 new shares was made domestically, raising approximately ¥20,780 million. The proceeds from these issues will be used to support growth in consumer loans and will provide a buffer against an increasingly tight money policy among Japan's financial institutions.

Promise is continually seeking to diversify its sources of funding to ensure a stable, low-cost supply of capital to fund its operations, in particular, its consumer loans. In recent years, Promise has made issues of Yen-denominated convertible bonds, commercial paper, and unsecured domestic straight bonds.

A Message from the Management

Steady growth based on a firm relationship of trust with customers

Promise was a pioneer in the unsecured consumer loan market when it commenced business in 1962. Establishing a nationwide network from an early stage, the Company concentrated on expanding its customer base. Moreover, Promise developed sophisticated information systems to support its business and gained experience in accurately evaluating credit worthiness that helped minimize losses. By establishing an organization that could rapidly respond to the financial needs of consumers, Promise has consistently improved on its performance as a leading consumer finance company and grown, currently serving a customer base of over 2.1 million people.

In seeking growth, Company has developed high-quality “Promise-style” products designed to make repayment easy, provided excellent services by well-trained employees, and raised profitability by expanding its customer base and developing new markets. Furthermore, Promise has fostered a positive working environment that motivates employees.

As part of the process of expansion, we have continued to stress achieving the “best balance” in our operations. While aiming for growth, we focus on building a solid financial structure by maintaining a balance between volume and loan quality and by targeting low-cost operations through improved sales channels and investment in information systems.

In other words, we are emphasizing sales channel expansion and cost control, loan growth and debt quality, funding efficiency and stability. Although we are actively pursuing business development, we are maintaining a balanced, solid base.

Despite the difficult business climate, the strong competitiveness realized through low-cost operations based on this “best balance” strategy is helping Promise move steadily forward.

Ryoichi Jinnai, Chairman (right) and Hirozo Yamada, President

Over the past few years, the second generation of baby boomers, who are strong consumers, have entered the work force, becoming a large and still growing market. For that reason, we are focusing our sights for the time being on achieving growth among young consumers in our core business of unsecured consumer loans.

In addition, the ongoing deregulation in financial markets should provide us with a variety of new business opportunities. As we become able to offer commissioned and agency services, it also will be possible to develop our sales channels and credit evaluation and loan collection know how into independent businesses.

Promise will first seek to cope with the current severe business environment by further reinforcing its foundations and strengths in the consumer finance business. In targeting consumers, we will aim to become the "personal main bank" of our customers by offering an integrated range of personal financial services. In other words, we will doing our best to get customers to consider Promise as their "bank" of choice for the services we offer.

Fiscal 1998 Performance

Fiscal 1998, ended March 31, 1998 was a year of substantial growth for Promise. Net income advanced for the fifth consecutive year, reaching a new record high.

During the period under review, we worked to expand as well as firm up our customer base. Through Promise Call, a toll-free telephone support service, we actively dealt with enquires on a 24-hour, 365-day basis, responding to the daily needs of customers. Moreover, we expanded our network of automated credit providers and tie-ups with the ATM and CD networks of other financial institutions to make our services more convenient.

Our strong performance in fiscal 1998 was supported by an increase in consumer loans outstanding and a continued low interest rate environment as well as by heightened efforts throughout the Company to achieve thorough cost control and improve productivity. Consequently, operating income rose 10.8 percent, to ¥220.3 billion while net income advanced 11.5 percent, to ¥38.6 billion.

In the fiscal year ahead, we forecast that operating income will grow 7.5 percent, to ¥236.9 billion, and net income will climb 20.7 percent, to ¥46.7 billion.

We remain committed as a company to our founding pledge to "seek to provide the best consumer financial services." Based on this pledge, we intend to further strengthen the relationship of trust with each of our customers and to develop a variety of new, advanced services–this is our vision of Promise in the 21st century. To help realize this goal, we have established the "Revolution Club," a company-wide action that aims to communicate directly to management the opinions of employees, who interact directly with customers.

Maintaining its reputation as a greatly admired company, Promise intends to grow step-by-step with society, working for the good of our customers, shareholders, and employees.

August 1998

Ryoichi Jinnai, Chairman

Hirozo Yamada, President

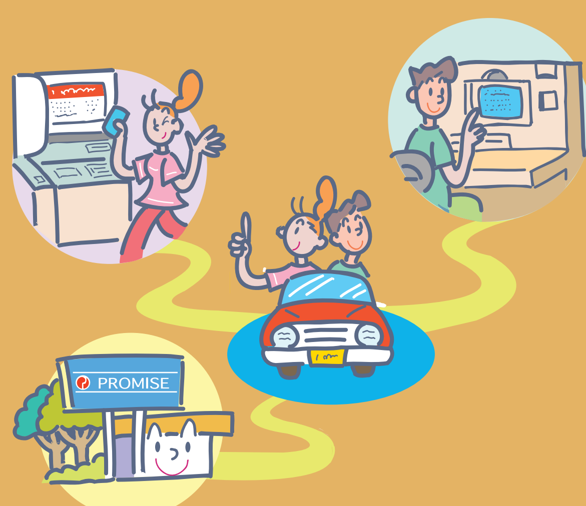
Four Roads to Growth

Strategy

"More Customer Loan Accounts through Network Extension"

Our most important strategy is to increase our unsecured loans, the basis of our profitability. We are achieving this goal by increasing the number of customer loan accounts rather than focusing on merely raising the average outstanding loan balance. In effect, this represents an emphasis on quality loan structure not volume growth, and for two very good reasons. First, by increasing the number of customer accounts, we are expanding our customer base as well as market share. Second, we believe it is of the greatest benefit to consumers and Promise to offer the maximum loan amount possible within a customer's repayment capacity. This policy is in keeping with our desire to help Japanese consumers increase their level of satisfaction with their lives while avoiding endangering their financial health.

Expanding our network of loan branches is our main strategy for reaching more potential customers, thereby increasing the number of customer accounts. To minimize costs, we are concentrating on opening unstaffed branches in roadside locations. By equipping Irasshai Machines with new functions, these unstaffed branches can provide most of the services of a staffed branch.



Implementation

Over the past 12 months, Promise surged ahead with network expansion. We added 255 branches, bringing the total number of branches to 1,005. Our emphasis on unstaffed branches was reflected in an increase in the number of Irasshai Machines to 977 from 695 while the number of staffed branches fell to 420 from 469 in the previous year, as we continued to convert to unstaffed branches.

The automated credit provider, which we have named the Irasshai Machine, is the centerpiece of our network expansion drive. Using audiovisual links with staffed branches or our Integrated Call Centers, the Irasshai Machine can be used to receive loan applications remotely. This method provides significant cost efficiencies because Promise staff can handle multiple applications at the same time and unstaffed branches require less space and have lower operating costs. These low cost operations make it possible to establish unstaffed branches in locations where many people gather, in which it would be difficult to open staffed branches because of the high costs of adequate office space.

The Irasshai Machines have also proven to be highly popular among customers for psychological reasons because people feel more comfortable with applying for loans through the machines, which provide greater privacy than staffed branches. We have tried to reinforce this atmosphere in our unstaffed branches. In fact, "Irasshai" has the meaning of welcome in Japanese, traditionally issued in greeting by staff whenever you enter a store or shop. It evokes a feeling of friendliness and security in Japanese.

Customers' expectations of rapid services through these machines are not disappointed; the entire process of applying, getting a card, and withdrawing funds usually is completed in about 30 to 40 minutes. We are adding new

Our roadside loan branches now account for one half of all loan branches. In consideration of greater efficiency, most of these branches are being developed as unstaffed branches with only automated credit providers and ATMs.

functionality to our Irasshai Machines that, in combination with our ATMs, allows our unstaffed branches to provide most of the services that our staffed branches provide.

We are also in the process of determining how best to utilize new information and communication technologies to expand our network through such channels as the Internet and telemarketing. One example of these efforts is Cybershop Promise, which was set up in June 1998 to allow consumers to apply for loans over the internet.

Our automated credit providers, Irasshai Machines, are linked to Integrated Call Centers, effectively concentrating our loan application operations. This system has resulted in a great increase in the conversion to unstaffed loan branches and has contributed strongly to low cost operations.

Number of Branches and Machines

	1994	1995	1996	1997	1998
Unsecured loan branches	529	572	609	748	1,003
Staffed branches	529	565	579	467	418
Unstaffed branches	—	7	30	281	585
Secured loan branches	6	4	4	2	2
Audio & video software rental	9	8	8	8	7
Outdoor and leisure goods	—	—	2	2	3
Total	544	584	623	760	1,015
Number of automated credit providers	—	20	273	695	977
Promise's own ATMs	650	743	817	1,056	1,335
Tie-up ATMs and CDs	1,073	2,962	5,132	12,344	15,702

Four Roads to Growth

Strategy

"Enhanced Convenience to Attract New Customers"

Convenience is a central concept in the lives of Japanese consumers. To a certain extent, convenience can even take precedence over price. Hence our continual efforts to improve on it as part of our efforts to expand the number of customer loan accounts. Our current strategies to upgrade customer convenience focus on expanding operating hours, locating our loan branches in more convenient spots, and raising the degree of privacy offered borrowers by increasing the numbers of unstaffed branches. In addition, we continue to establish tie-ups with other financial institutions that allow our customers to use their ATMs and CDs.

Of course, advantageous credit provision and interest rates might well be included within the definition of convenience. Besides strong customer services, we see our main competitive factors as the lowest maximum interest rate in the industry, quick availability of credit, and easy access to cash once credit is approved. These also are important elements in our quest for growth in the number of customer accounts.

Implementation

Our efforts to make our services more accessible to consumers through extended business hours have centered on our unstaffed branches, which now operate every day of the year, except for the New Year's holidays. Unstaffed branches are open from 9 a.m. to 8 p.m. on weekdays and to 6 p.m. on weekends and holidays. Staffed branches are open from 9:30 a.m. to 6 p.m. Furthermore, our ATM machines, which allow customers to check loan balances, withdraw funds, and make loan payments, operate from 7 a.m. to midnight as long as the facility they are in remains open.

We are also steadily expanding our network of ATMs, which are installed at our branches or in convenient stand-alone locations. In fiscal 1998, the number of ATMs increased to 1,335 units from 1,056 in the previous year. Furthermore, we expanded the number of ATMs and CDs in our tie-up network with other financial institutions and retail companies to 15,702 units from 12,344 units in fiscal 1997. While the CDs in our tie-up network only permit withdrawals, an increasingly number of the ATMs allow customers to make loan payments.

To increase the scope of services we can provide through our unstaffed branches, we are equipping our Irasshai Machines with the ability to issue new contracts, reissue cards, change loan terms, execute contract renewals, and make interest rate changes, as well as to make other changes to customers' data relating to such items as addresses and telephone numbers. Offering these services through our Irasshai Machines is also in accord with customer preference for interview-free, rapid transactions.

We have improved the convenience of our customer service locations by developing a network of new style, convenient unstaffed branches that target smaller-scale markets, in particular suburban roadside loan branches complete with parking facilities and conveniently located between residential areas and places of employment.

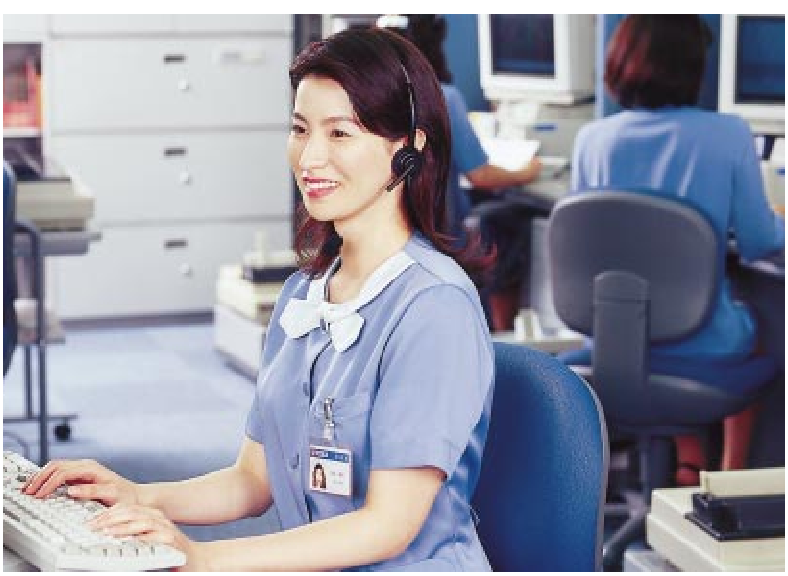
Through agreements with leading regional banks and installment finance and retail credit companies, customers may now access their accounts using a tie-up network of 15,702 ATMs and CDs in addition to Promise's network of 1,335 ATMs.

Going one step beyond the convenience of our easy-access ATMs, we offer a push-button telephone service that gives customers access to their accounts as well as complete and up-to-date details about the state of their finances. For more detailed enquiries, we have our Promise Call service, a 24-hour, 365-day toll-free telephone support service, which answers customers' questions about Promise's products, outstanding balances, and repayment schedules.

To adjust to the regional needs of our customers, we have decentralized many of our operations, moving them to our 11 regional headquarters to bring more detailed knowledge of regional preferences and differences to bear on our services. Since 1996, these regional headquarters also have been equipped with

Integrated Call Centers offer services that meet specialized regional needs or characteristics.

Integrated Call Centers to provide swift consumer loan application and other services in each area.



Customer enquiries through our Promise Call Service receive appropriate, professional advice from operators, who are Promise employees with extensive experience in our business.

Four Roads to Growth

Strategy

"Quick but Strict Credit Provision"

The credit provision management skills that Promise has acquired over the years based on its accumulated experience and the introduction of advanced technologies is a major factor in its competitiveness. By combining our "human skills" with the processing and information "skills" of computers, we have created a system that is effective without being burdensome on applicants. This is particularly important when it is considered that our competitiveness in the market depends on making swift decisions to keep customers happy and on accurate assessments to maintain the profitability and soundness of our business. Our credit evaluation skills do not only contribute to keeping our write-off ratio low, they also shield our customers from extending their loans beyond their means.

Protecting the borrower from accumulating excessive debt, thereby maintaining the soundness of our industry, is vital to our overall strategies. Consequently, Promise takes a very positive stance on self-regulation, and seeks to cooperate with other members of the industry in preventing problems that would be detrimental to the industry's reputation.

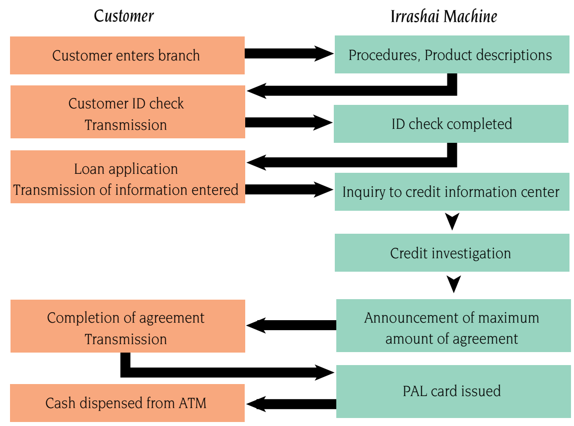
Implementation

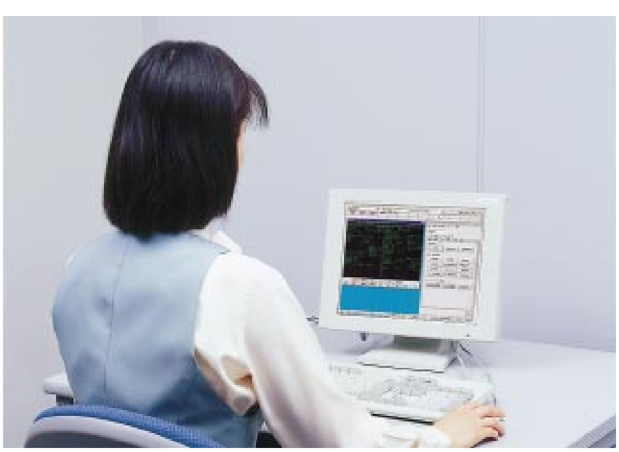
As of the end of fiscal 1998, our write-off ratio was 2.4 percent on an outstanding balance of ¥858,225 million in unsecured loans. While this ratio rose somewhat from the 2.1 percent in the previous year, principally due to the worsening economic conditions in Japan, it still represents an extremely low level of loan defaults. How do we achieve such a low write-off ratio while competing successfully in a market that stresses quick consumer loans? The answer is a combination of strict credit standards and highly advanced credit management systems.

Our credit application process is quick and uncomplicated. All information gained from the customers is input directly into our credit provision system, which comes up with a recommended credit limit using extensive statistical data. To check the credit standing of the applicant, the system references a range of credit databases, including third party databases covering other companies in the consumer finance industry as well as other financial sectors. Although approximately 75 percent of new loan applications are made through our Irasshai Machines, loan approvals are made through the same credit evaluation process used at staffed branches.

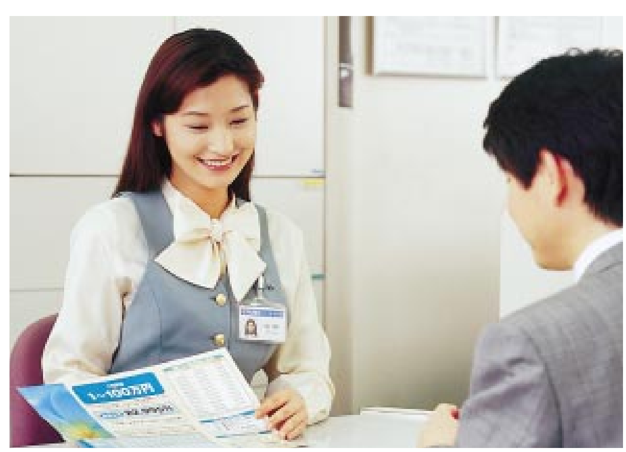
We keep our maximum loan amounts well within an individual's economic means. New customers may be granted credit of up to ¥500,000 ($3,785 at $1=¥132.10) based on the computer credit evaluation. Credit limits above ¥500,000 must be approved by our cen-

Flowchart of New Loan Agreement Procedures





Our computerized credit provision system uses 1,280 credit calculation tables determined by customer category, regional characteristics, and transactions with other credit providers to establish a recommended credit limit, which is then approved or adjusted by the branch manager.



To encourage correct use of our loan services, we are especially emphasizing proper explanation of our products and system and offering suggested repayment plans.

Unsecured Loan Products

Loan type	Product name	Upper limit	Interest type	Interest (p.a)
Unsecured revolving	Free cashing	¥1 million	Uniform	22.995%
				25.55%
			Stepped	22.675-25.55%
				23.725-25.55%
Unsecured cash loan for consumption	Application-specific loan	¥500,000	Uniform	13.50-19.50%
	Nittsu Travel Loan	¥500,000	Uniform	13.50%

Note: Stepped interest rates vary according to the size of the loan balance. Two schemes are used.

tral loan staff and require that additional credit standards be met. We do not generally extend credit in excess of ¥1 million. The present average balance per loan account is ¥401,000, and we intend to maintain this level.

We reject slightly more than one in three credit applicants, usually because of existing information in our databases that indicates strong credit risk. This high rate of rejection is a reflection of our strict credit standards and not other factors.

The entire process of application, credit approval, and issuing of a card takes approximately 30 to 40 minutes at unstaffed or staffed branches.

Every three months, we obtain credit information on our customers from personal credit information bureau, which is then used in conjunction with our own data to maintain our customers' credit lines at the most appropriate level.

Credit Losses, Ratio of Credit Losses

(¥ millions)

	1994	1995	1996	1997	1998
Consumer loans outstanding (fiscal year-end)(1)	536,394	591,362	682,065	784,201	866,634
of which unsecured loans	514,790	576,915	670,584	775,160	858,225
Allowance for credit losses (fiscal year beginning) (2)	18,070	20,360	20,970	20,850	23,750
Credit losses written off (3)	12,658	13,473	17,161	17,405	21,556
(Ratio of credit losses (3)/(1))	(2.3%)	(2.2%)	(2.5%)	(2.2%)	(2.4%)
of which unsecured loans	11,436	11,974	14,592	16,931	21,195
(Ratio of unsecured loan losses)	(2.2%)	(2.0%)	(2.1%)	(2.1%)	(2.4%)
Balance (surplus/deficit) (4)=(2)-(3)	5,411	6,886	3,808	3,444	2,193
Allowance for credit losses (fiscal year-end) (5)	20,360	20,970	20,850	23,750	27,790
(Ratio of allowance for credit losses (5)/(1))	(3.7%)	(3.5%)	(3.0%)	(3.0%)	(3.2%)
Provision for uncollectible loans (6)=(5)-(4)	14,948	14,084	17,042	20,305	25,597

Notes: 1. Provision for credit losses is in principle calculated according to tax law standards based on the actual credit loss ratios recorded in the previous three fiscal years.
However, when it is thought that changes in the economic environment in the fiscal year under review will have a major impact on defaults, the probable amount of uncollectable accounts is estimated based on the percentage of credit losses in the previous fiscal year or other such methods deemed appropriate in consideration of the primary factors for defaults. If at such time the calculated amount exceeds the amount allowable under tax law standards, the amount in excess of that which is allowable is appropriated as an additional taxed amount.

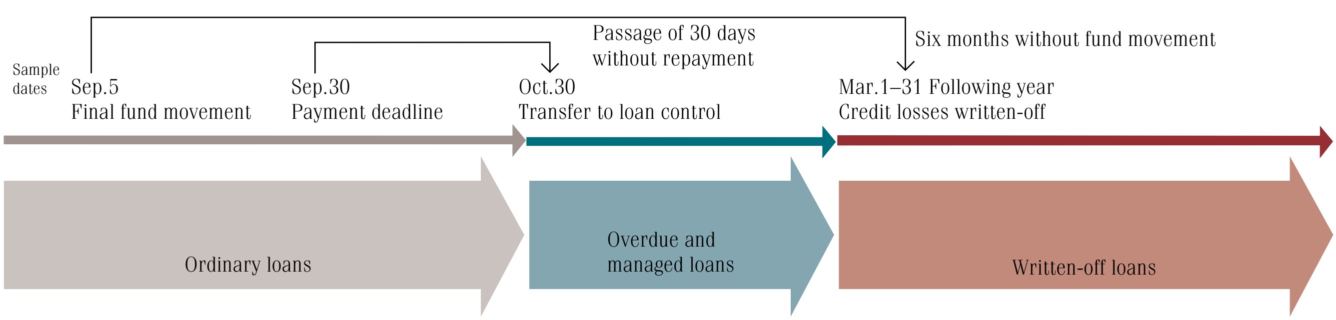
2. On March 31, 1996, the period for non-movement of funds—the standard on which credit losses is based—was changed from 12 months or longer to 6 months or longer.

While most defaults on loan installments are usually paid shortly after the due date, loans that go 30 days without repayment become designated as delinquent and, if they remain unpaid, they are usually transferred to a regional collection center within 180 days, where further efforts are made to collect the loan. In principle, all loans are written off within 180 days of becoming delinquent and transferred to specialized departments in Tokyo and Osaka that may continue to attempt recovery. We are often successful in obtaining repayment even after loans are written off and these amounts are taken back into income.

In light of the greater occurrence of multiple debts among Japanese consumers and the increased level of personal bankruptcies because of poor economic conditions, Promise and five other consumer finance companies have formed the Liaison Group to take up their social responsibility as corporate citizens. This association seeks to promote consumer education, provide counseling services for consumers with debt problems, enforce stricter credit standards, revise advertising to remove any excessive emphasis, and improve industry disclosure.

Loan quality management is as important as consumer loan growth to Promise, and the process begins with enquiring about a prospective customer's employment. The quality of loans are closely managed based on standard rules and personal counseling services.

Loan Categories



* Continued management of loans other than those for which borrowers are exempt from repayment due to death or personal bankruptcy.
* Amount collected is posted to "Other operating revenue" as "Collection of credit losses written off."

Four Roads to Growth

Strategy

"Competitiveness through Lower Costs"

Lower operating and funding costs are important issues in maintaining profitability and preparing for greater competition.

Our chief strategy for reducing operating expenses is a continued shift to unstaffed branches. The further centralization of our credit provision and collection systems based on the greater systemization possible with unstaffed branches will also contribute to a decline in operating costs. Promise's focus on unsecured rather than secured loans plays an essential role in making these greater cost efficiencies possible because the absence of physical collateral for loans enables greater systemization. Among other measures aimed at cutting costs, we are implementing performance evaluation systems that focus on strong local management of costs and are considering outsourcing of system operations where clear cost benefits can be achieved without detracting from efficiency.

To maintain a strong financial structure and reduce our funding costs, we are stressing greater dependence on long-term funding. Diversification of funding sources is another core strategy, particular because it helps maintain stable supplies of low-cost funding for growth. In support of these strategies, we are fostering long-term relationships with banks, insurance companies, and other financial institutions; making better use of capital markets; and taking steps to maintain and improve our relatively high credit ratings to achieve lower funding costs through the issue of bonds and commercial paper at favorable rates and terms.

Implementation

Building up a low-cost loan branch network spearheads our drive to tighten cost control. As mentioned previously under our strategy to obtain more customer loan accounts through network extension, we continue to increase the number of unstaffed branches while reducing the number of staffed branches. Through effective use of our Integrated Call Centers, we aim to achieve greater efficiencies in our operations. To support this goal, we have implemented a management system that stresses performance evaluation at the level of regional headquarters. Moreover, we have implemented partial outsourcing of system operations through a contract with IBM Japan. The 10-year contract that began in April 1998 is expected to save approximately ¥9.0 billion in costs over its term.

At the end of the financial year under review, the Company's outstanding short and long-term fund procurement including the current portion of long-term debt stood at ¥792,473 million. Of this total, ¥727,673 billion or 91.8 percent represented long-term fund procurement including the current portion and convertible and straight bonds. Funds raised on a fixed-rate basis amounted to ¥477,756 billion. Given the low interest rate climate in Japan, Promise has decided to lock in low-interest rates on a long-term basis. The net result of this strategy is that fixed-rate fund procurement as a percentage of total fund procurement was 60.3 percent, compared with 58.7 percent in the previous fiscal year. The average interest rates for long-term fund procurement and short-term fund procurement declined from fiscal 1997, falling to 2.872 percent from 3.193 percent and to 1.458 percent from 1.509 percent, respectively.

We are steadily diversifying our sources of funding, gaining experience in issuing in capital markets to allow us to take advantage of our relatively high credit ratings and stock performance. In February 1996, we became the first in the industry to make an Euroyen convertible bond issue. The following November, we issued our first domestic commercial paper. In January 1997, we were

Pursuing stable funding while addressing market fluctuations, Promise's financing policy is to make timely responses to changes in capital markets.

again the first in the industry to make an unsecured domestic straight bond issue. Most recently, we made international and domestic share offerings in June 1998. In addition, we have long-standing borrowing relationships with domestic banks, insurance companies, and other financial institutions as well as experience in obtaining funds from foreign entities through syndicated loans.

The bottom line of all these measures is that we have successfully lowered our financial expense ratio (financial expense over total consumer loans) over the past several years. In fiscal 1998, the financial expense ratio fell to 2.7 percent from 3.0 percent in the previous fiscal year—maintaining the lowest ratio among the Big Three in the industry. By further strengthening our financial structure, we plan to improve on our credit ratings, which currently stand at A+ for long-term debt and a-1 for commercial paper, according to Japan Rating and Investment Information (R&I), Inc.

The ongoing financial reforms in Japan should also contribute to greater access to funds to develop our unsecured loan business. As a regulated consumer finance company, we are prohibited from using the proceeds from bond or commercial paper issues to make consumer loans. Legislation to abolish this restriction has been introduced in the Diet and is currently under discussion. There is a possibility, however, that the proposal will be discarded.

Promise is a pioneer in diversifying sources of funding in its industry. In February 1996, the Company made a ¥10 billion Euroyen convertible bond issue in the London market. In January 1997, it floated a ¥10 billion unsecured domestic straight bond issue. Both these issues were firsts for Japanese consumer finance companies.

Fund Procurement

(¥ millions)

	1994	1995	1996	1997	1998
Total fund procurement	570,969	573,079	641,729	706,111	792,473
Short-term fund procurement	15,615	34,546	51,731	53,000	64,800
Short-term borrowings	15,615	34,546	51,731	53,000	44,800
Commercial paper	—	—	—	—	20,000
Long-term fund procurement	555,353	538,532	589,997	653,111	727,673
Long-term borrowings	555,353	538,532	579,997	633,111	688,742
Ration of long-term fund procurement to total fund procurement(%)	97.2	93.9	91.9	92.4	91.8
Fixed interest rate	99,528	100,818	224,092	349,594	438,826
Variable interest rate	455,825	437,714	355,905	283,516	249,916
of which interest rate swaps	152,000	150,000	100,000	45,000	—
Straight bonds	—	—	—	10,000	30,000
Convertible bonds	—	—	10,000	10,000	8,930
Actual fixed ratio(%)	44.0	43.7	52.1	58.7	60.3

Notes: Actual fixed ratio = (long-term borrowings at fixed interest rates + long-term borrowings with interest rate swaps + straight bonds + convertible bonds) ÷ total fund procurement

■ The company procures long-term borrowings at fixed interest rates, taking into account market interest rates. At March 31, 1998, the Company's actual fixed ratio stood at 60.3%, including corporate bonds.

■ In the term ended March 31, 1997, the company issued commercial paper (CP) as well as straight bonds in order to diversify its fund procurement methods. There was no outstanding CP at fiscal year-end.

Other Activities
"Building new businesses on firm foundations"

As Promise develops and gains broader business experience, we have been gradually pursuing other business interests outside as well as inside our core consumer loan field. These operations represent opportunities to utilize areas of expertise we have developed over the years or enter new fields that we believe serve the needs of the times or present interesting opportunities. Diversification also gives Promise a certain degree of flexibility to be able to respond to future changes in our operating environment.

Our "Club Sol" outdoor leisure business sells camping, trekking, and fishing equipment; canoes; binoculars for birdwatching; snowboards; and other goods. Camping trailers and equipment can also be rented. We opened our first "Club Sol Station" in 1994 in response to the growing popularity of recreational vehicles among young people and related boom in outdoor life and camping.

Since 1990, the Company also has operated a chain of audiovideo software rental and sales outlets, "It's Time Win."

"Club Sol", Iwatsuki shop

Among other software businesses, Promise has begun sales of an integrated delinquent debt management software package, "Prosaver."

In addition to these parent company businesses, the Promise Group counts 15 subsidiaries and four affiliates among its members. The eight domestic companies in the Group carry out operations related to installment sales and financial and information services. GC Co., Ltd., for example is a credit card company that also offers convenient cashing services through national tie-up network of approximately 19,000 CDs. Overseas, through

Domestic Subsidiaries and Affiliates

Company Name	Address	Ownership (%)	Principal Business
GC Co., Ltd.*	2-4-1, Nishi-Shinjuku Shinjuku-ku, Tokyo 163-0809	63.86	Credit card issuer
PAL Service Co., Ltd.	2-6-5, Kandasudacho, Chiyoda-ku Tokyo 101-0041	100.00	Sale and agency services for golf club membership rights and management of construction of outlet interiors
PAL Housing Co., Ltd.	1-2-2, Umeda, Kita-ku, Osaka 530-0001	100.00	Real estate sale and brokerage
PAL Research Center Co., Ltd.	4-2-16, Shinjuku, Shinjuku-ku, Tokyo 160-0022	100.00	Credit surveys
System Trinity Co., Ltd.	2-16-1, Shibuya, Shibuya-ku, Tokyo 150-0002	49.00	Computer system design, operation and management
Holiday Joy Travel Service Co., Ltd.	4-2-2, Ginza, Chuo-ku, Tokyo 104-0061	100.00	Travel services
Net Future Co., Ltd.	2-27-20, Minami-Aoyama, Minato-ku Tokyo 107-0062	100.00	Operation and management of ATMs and computer peripherals

* Consolidated subsidiary
Notes: In addition to the subsidiaries listed above, there is one affiliate, All Japan Information Center Co., Ltd., of which Promise holds 25% ownership.

a tie-up with JCB, GC Card holders have access to cash through approximately 360,000 ATMs.

In establishing overseas operations, we are building a firm base from which to learn how to globalize our operations. This experiment is providing a wealth of knowledge on and experience with adjusting Japanese-style consumer finance to meet the different expectations of consumers in other countries. Asia, with its similar traditions and lifestyles, is the current focus of our efforts to globalize.

In 1989, Promise established Liang Jing Co., Ltd., in Taiwan to finance installment sales, principally of new and used cars. We added Yuukei Co., Ltd., in the used car field in 1991. The success of these two companies has made us one of the leading companies in this field in Taiwan.

In 1992, we were the first Japanese consumer finance company to enter the Hong Kong market with the establishment of PROMISE (HONG KONG) CO., LTD. This also has been a successful as well as educational venture because of the vibrant and highly competitive market. We now have 12 loan branches serving 21,000 customer loan accounts.

PROMISE (HONG KONG) CO., LTD.

GC Co., Ltd.

Overseas Subsidiaries

Country	Company Name and Address	Ownership (%)	Principal Business
Taiwan	Liang Jing Co., Ltd.* 2, Sec.3, Minsheng E. Rd., Taipei	100.00	Installment sales of new and used automobiles, construction materials etc.
	Yuukei Co., Ltd.* 2, Sec.3, Minsheng E. Rd., Taipei	99.78	Installment sales of used automobiles, construction materials etc.
China	PROMISE (HONG KONG) CO., LTD*. 3rd Floor, Number 80 Building, 80 Gloucester Road, Wanchai, Hong Kong	100.00	Consumer finance services
	PAL INVESTMENT COMPANY LIMITED Rooms 1001-2, 10/F., Far East Consortium Building, 121 Des Voeux Road, Central, Hong Kong	100.00	Investment in China
U.S.A.	Promise U.S.A. Co., Ltd. 15 North Street, Dover, County of Kent, Delaware 19901	100.00	Investment in hotel enterprises
	Promise Investment U.S.A. Co., Ltd.** 15 North Street, Dover, County of Kent, Delaware 19901	—	Finance in hotel enterprises
France	PROMISE (EUROPE) S.A. 1, Chemin des Vanneaux 95290, L'isle-Adam	100.00	Golf course operation and management
Cayman (Dependent territory of the United Kingdom)	PAL Investment (Cayman) Co., Ltd. ℅ KPMG Genesis Trust Company Ltd. Genesis Building P. O. BOX 448GT Grand Cayman, Cayman Islands	100.00	Investment in China

* Consolidated subsidiary
** Wholly owned subsidiary of Promise U.S.A. Co., Ltd. that was liquidated in May 1998.

Notes: In addition to the subsidiaries listed above, Promise has the following three overseas joint ventures.
HAINAN FRIENDSHIP FARM CO., LTD. (50% owned)
NANJING SHENZHOU SEED INDUSTRY CO., LTD (50% owned)
HARBIN SHENNONG M. V. FEED CO., LTD. (50% owned)

Management Discussion and Analysis

Overview

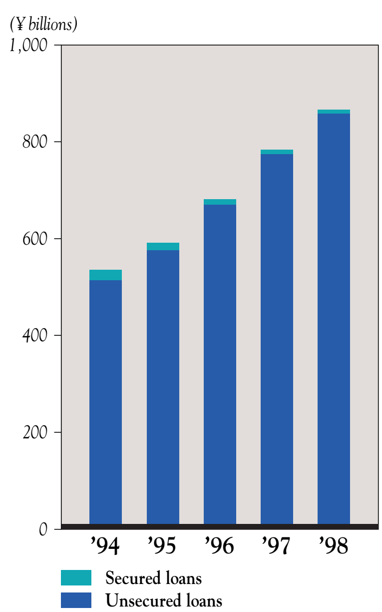
During the year under review, Promise continued to position itself as a leader in the consumer finance market based on the lowest interest rates in the industry, one of the largest, best established marketing networks in the industry, and a highly developed risk management system. The principal strategy pursued by the Company was to increase the number of its unstaffed branches and Irasshai Machines, ATMs, and tie-up ATMs and CDs as part of its continued policy to provide more convenient services that attract new customers and retain existing customers as well as reduce operating costs.

The high pace of growth in unstaffed branches and automated credit providers supported a 10.8% rise in operating income while the average balance per unsecured loan account rose only 3.1%, indicating a large increase in new loan accounts. On the other hand, operating expenses only climbed 10.0%, thanks mainly to finance expenses falling despite the increase in consumer loans due to lower market interest rates and a diversified funding policy. General and administrative (G&A) expenses rose 10.9%, keeping pace with the growth in operating income. Although growth in advertising and personal expenses was curtailed, this was offset by rising rental, depreciation, and other costs–particulary communication costs–associated with network expansion. Provisions for uncollectible loans were in line with the increase in loans outstanding. The ratio of credit losses written off to the consumer loans outstanding increased slightly, to 2.4%, but still underscored the appropriateness of our credit evaluation system and the efficiency of our collection system. The success of the Company's low cost operations strategy helped operating profit advance 12.0% compared with the 10.8% rise in operating income. After reducing nonoperating expenses, net income was up 11.5%, to ¥38.6 billion.

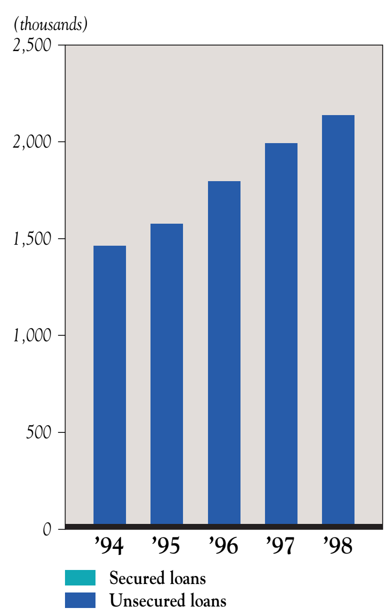
Operating Income

Total operating income for the year under review advanced 10.8%, to ¥220.3 billion, hitting a record high, with annual growth rates for the period from fiscal 1994 to 1998 ranging from 9.3% to 11.0%. This increase reflected a 10.9% rise in interest on consumer loans to ¥212.3 billion that was primarily due to the 10.5% increase in loans outstanding to ¥866.6 billion. The actual yield per annum on unse-

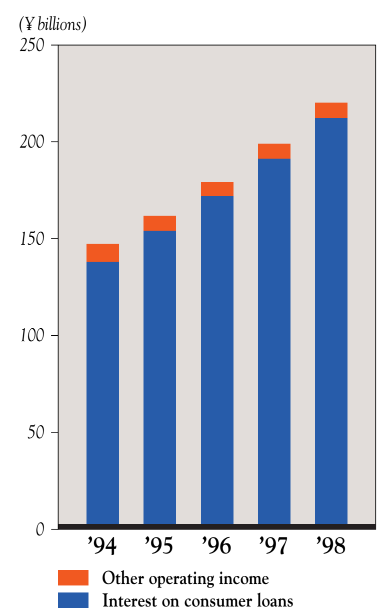
Consumer loans outstanding



Number of customer accounts



Total operating income



cured loans fell slightly to 25.7% and the average balance of unsecured loans per account increased by 3.1%, to ¥401,000.

By segment, small-lot unsecured consumer loans, our mainstay business, generated the bulk of operating income. They accounted for ¥858.2 billion or 99.0% of loans outstanding at year end. The remainder of loans outstanding comprised secured loans. Since Promise has frozen the issue of new, large denomination secured loans, total outstanding secured loans dropped to ¥8.4 billion from ¥9.0 billion in the previous fiscal year.

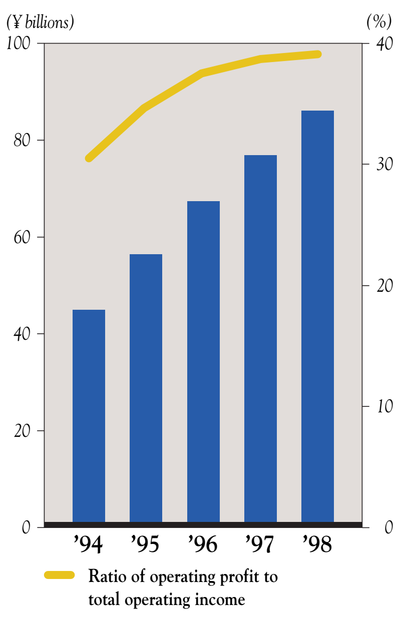
Other operating income rose 6.9% from the year before to ¥8.0 billion, representing 3.6% of total operating income, because of greater collection of credit losses previously written off.

Operating Expenses

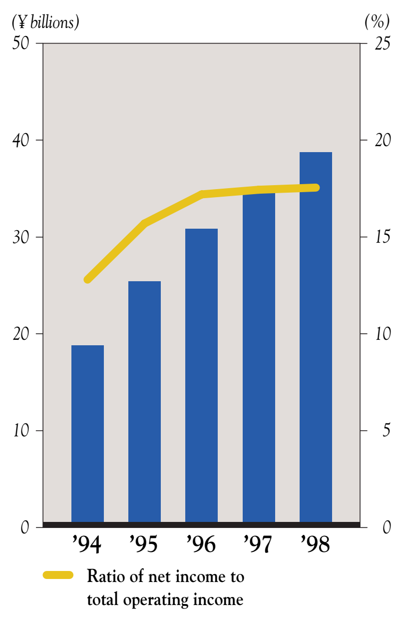
Total operating expenses increased 10.0%, to ¥134.2 billion. Financial expenses, which are comprised almost entirely of interest payments, decreased 6.8%, to ¥22.1 billion despite the increase in consumer loans outstanding, reflecting lower market interest rates. The average interest rate on fund procurement fell from 3.193% to 2.872% on long-term fund procurement, which accounted for 91.8% of total fund procurement. The average interest rate for the year on short-term fund procurement was also lower, falling from 1.509% to 1.458%. This was due to a range of factors, including the reduction in market interest rates and the rollover of high interest rate borrowing. The ratio of fixed-interest rate fund procurement to total fund procurement reached 60.3% as of the end of March 1998. Considering the current low interest rate environment, fixed-rate fund procurement provides a substantial cushion against any future increase in market interest rates.

G&A expenses rose 10.9%, to ¥86.5 billion. Advertisements, which accounted for 13.1% of G&A expenses, gained 3.3%, to ¥13.3 billion while employees' salary and bonuses rose 3.0%, to ¥19.6 billion, reflecting 22.6% of G&A expenses. Rent expenses climbed 17.0%, to ¥10.6 billion, accounting for 12.3% of G&A expenses. Finally, other expenses, which include depreciation expenses, grew 15.5%, to ¥45.0 billion, accounting for 52.0% of G&A expenses. Other and rent expenses rose at a much higher rate especially because of strong growth in communication expenses due to network expansion, reflecting the Company's

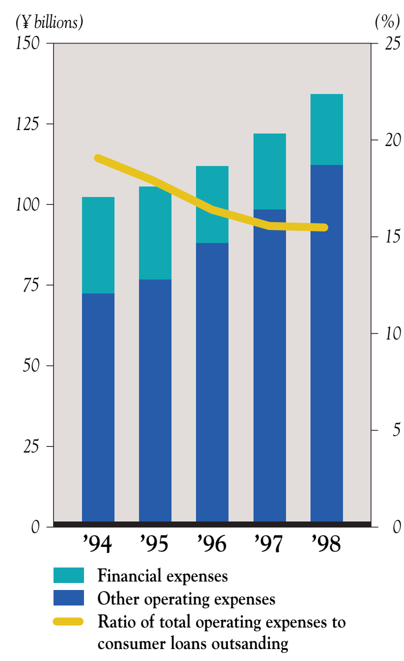
Operating profit



Net income



Total operating expenses



aggressive investment in unstaffed branches, tie-up ATMs and CDs, and automated credit providers.

The ratio of provision for uncollectible loans to consumer loans outstanding at the end of the fiscal year, was stable year-on-year at 3.2%, resulting in a provision of ¥25.6 billion for uncollectible loans on the statements of income.

Consequently, operating profit jumped to ¥86.1 billion, a 12.0% year-on-year increase, and our operating profit ratio rose 0.4 percentage points to 39.1%. This improvement mainly resulted from the decline in financial expenses, supported by strong cost control in other areas.

Total other expenses, net increased ¥679 million, to ¥3.7 billion. Notable items included a ¥2.8 billion net loss on sale or disposal of property and equipment, including the sale of unused land to a subsidiary, and a ¥1.7 billion loss on valuation of investments in securities related to the disposal of investment trusts. In recording these losses, the Company made further progress in retiring unrealized losses from its assets. The valuation losses were partially offset by a ¥1.2 billion gain on liquidation of Tokumei Kumiai (Japanese leveraged leasing transactions).

As a result, income before income taxes advanced 11.6%, to ¥82.4 billion. The Company's effective tax rate remained almost unchanged at 51%. Consequently, net income was up 11.5%, to ¥38.6 billion.

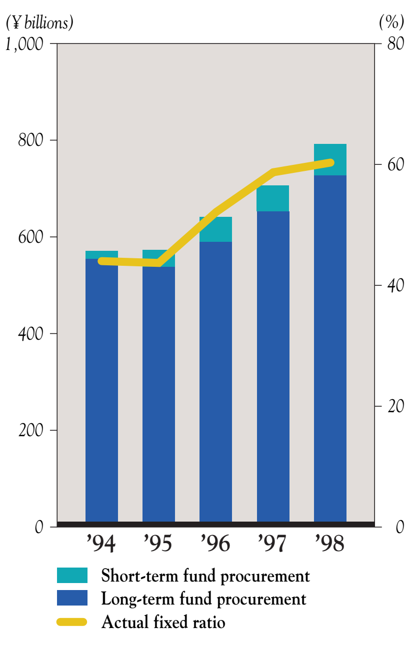
Fund procurement

We have further diversified our funding sources by issuing a variety of financial instruments domestically and overseas that make use of our high credit rating, including equity issues, commercial paper, and convertible and unsecured straight bonds.

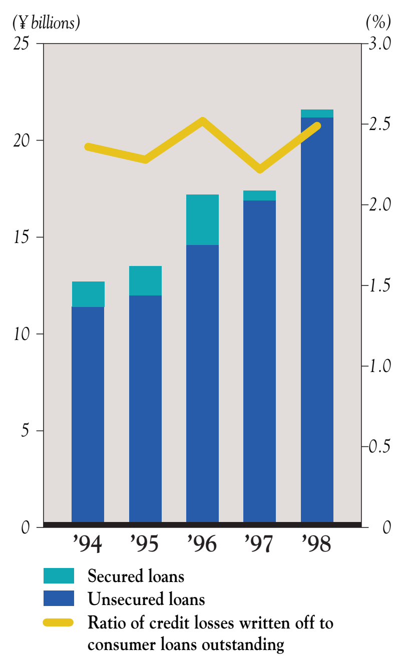
As of March 31, 1998, our total fund procurement outstanding, including capital market funding, had risen 12.2% over the previous year to ¥792.5 billion, of which ¥727.7 billion, or 91.8%, was accounted for by long-term fund procurement, inclusive of current portion.

Of the Company's outstanding fund procurement, including straight and convertible bonds, as of year-end, a total of 60.3% was accounted for by fixed-rate fund procurement, compared with 58.7% in fiscal 1997. Excluding straight and convertible bonds, the ratio of fixed-rate

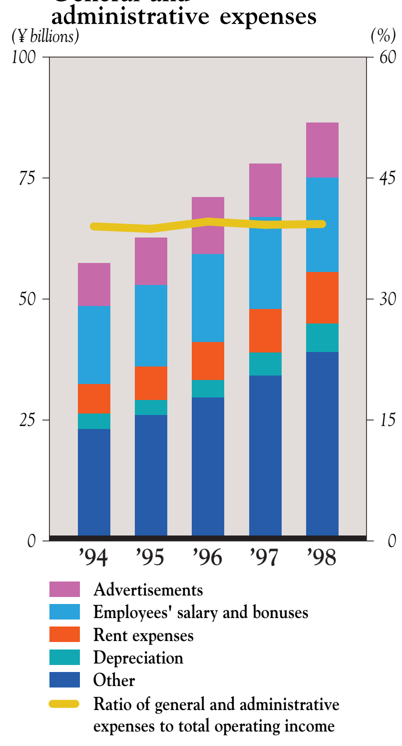
Total fund procurement



Credit losses written off



General and administrative expenses



borrowing in a narrow sense to total fund procurement reached 55.4% compared with 49.5% in the previous fiscal year. Long-term loans at variable interest rates accounted for 31.5% of outstanding fund procurement with the remaining 8.2% in variable rate short-term loans. Promise has in the past, and will in the future, enter into floating to fixed interest rate swaps to hedge against increased funding costs associated with rising interest rates.

Write off of Credit Losses

Credit losses written off this year totaled ¥21.6 billion, including both secured and unsecured loans. The ratio of credit losses written off to the consumer loans outstanding as of the end of the year was 2.4%, slightly higher than the 2.2% recorded in the previous fiscal year. The higher rate reflects–but is much less than–a substantial rise in personal bankruptcies in recent years. Stringent credit control policies have enabled the Company to keep growth in write-offs to a minimum.

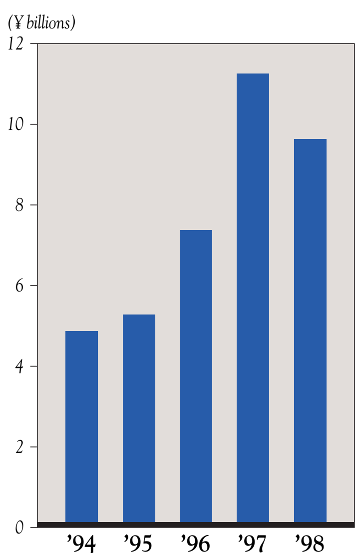
Cash Flow

The Company maintained adequate liquidity for operations during the fiscal year. Net cash provided by operating activities was ¥72.0 billion, compared with ¥58.6 billion in the previous fiscal year. This increase resulted mainly from greater income. Net cash used in investing activities was ¥107.6 billion, compared with ¥130.1 billion in fiscal 1997. The decline resulted principally from an increase in principal collected on consumer loans offsetting the expanded volume of consumer loans made to customers. Net cash provided by financing activities was ¥81.3 billion, compared with ¥58.3 billion last year, reflecting increased long- and short-term fund procurement. Consequently, the net increase in cash and cash equivalents was ¥45.8 billion, bringing cash and cash equivalents at the end of the year to ¥130.7 billion.

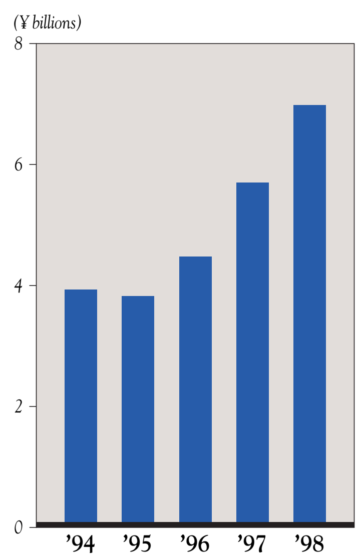
Capital Expenditures

Promise's capital expenditures in fiscal 1998 were mainly used in the establishment of new branches, the upgrading of existing branches, increasing the number of Irasshai Machines and ATMs, and installing computer-related equipment and facilities. The number of unsecured loan branches rose from 748 at the end of last year to 1,003. Meanwhile, the number

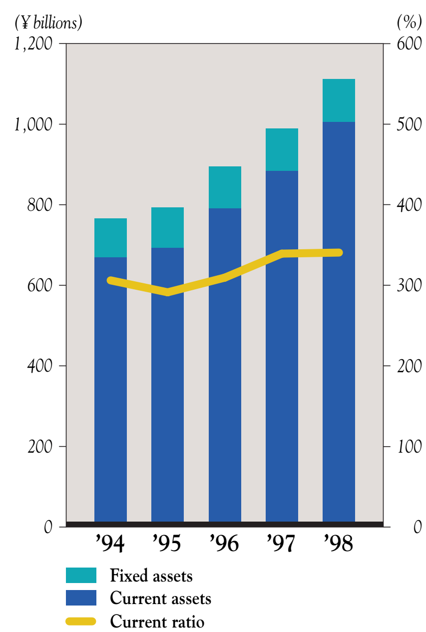
Capital expenditures



Depreciation and amortization



Total assets



of staffed branches declined from 469 to 420, and the number of unstaffed branches soared from 281 to 585. There was also an increase in the number of ATMs, which climbed from 1,056 as of the end of March 1997 to 1,335 as of the end of March 1998.

This enhancement of the Company's facilities resulted in capital expenditures of ¥9.6 billion, compared with ¥11.3 billion in fiscal 1997. The major portion of these expenditures were allocated to the previously mentioned expansion. The Company estimates that capital expenditures for fiscal 1999 and 2000 will amount to ¥9.9 billion and ¥15.0 billion, respectively, and will be used for a similar purpose as in fiscal 1998.

Shareholders' Equity and Dividends

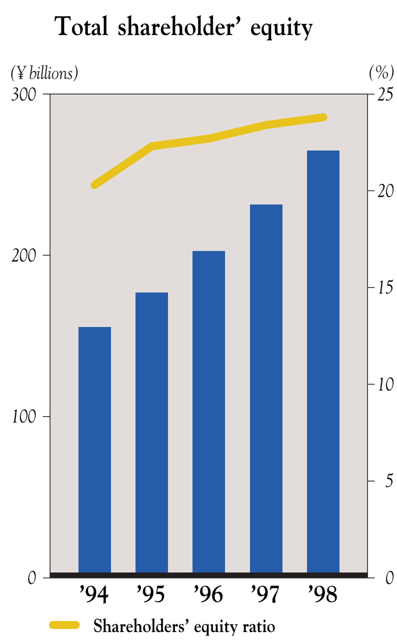
Shareholders' equity continued to rise during the period under review, growing ¥33.7 billion or 14.5%, to ¥265.0 billion. As a result, the shareholders' equity ratio advanced from 23.3% to 23.8%. After the fiscal year end, share offerings made by the Company in June 1998 further raised the shareholders' equity ratio.

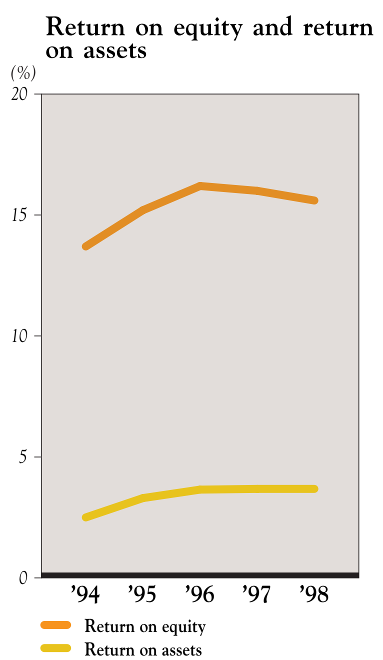
We consider technological development and capital expenditures for information processing technology indispensable for meeting the challenge of increasing competition in the consumer finance industry. Therefore, we will strive to accrue internal reserves in conjunction with the increase in shareholders' equity and boost revenue and earnings to enable us to respond with flexibility to future trends.

Promise's dividend policy focuses on increasing the return of profits to shareholders in accordance with revenue and earnings.

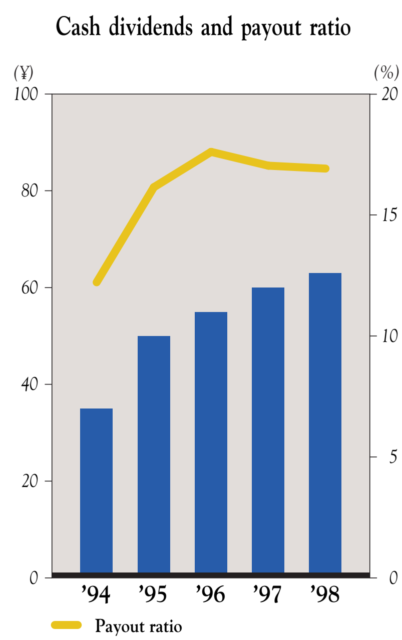
Year 2000 Compliance

Along with the development of its next-generation system, Promise has been modifying its computer systems to address the year 2000 issue and believes it will be year 2000 compliant after an upgrade that is scheduled for completion by the end of 1998. The Company expects to invest approximately ¥8 billion during fiscal 1999 for this computer upgrade.





Notes: Return on equity = Net income / Average Shareholders' equity
Return on assets = Net income / Average total assets



Five-Year Summary (Non-Consolidated Basis)

Promise Co., Ltd.

Years ended March 31

	Millions of Yen				
	1994	1995	1996	1997	1998
Financial Position					
Consumer loans outstanding	¥536,395	¥591,362	¥682,066	¥784,201	¥866,634
Allowance for credit losses	20,360	20,970	20,850	23,750	27,790
Total current assets	669,427	693,103	791,195	883,571	1,005,394
Total investments and other assets	39,072	40,966	41,213	37,455	35,895
Property and equipment, net	48,096	49,700	51,888	57,877	58,323
Fixed leasehold deposits	8,859	9,651	10,420	10,767	12,273
Total assets	765,454	793,420	894,716	989,670	1,111,885
Short-term borrowings and current portion of long-term debt	196,837	212,089	223,909	226,975	258,198
Total current liabilities	218,627	237,905	255,617	260,411	295,195
Long-term debt	374,133	360,991	417,821	479,137	534,275
Total long-term liabilities	391,225	378,530	436,387	497,900	551,674
Total shareholders' equity	155,602	176,985	202,712	231,359	265,016
Income and Expenses					
Interest on consumer loans	¥138,099	¥154,051	¥171,809	¥191,401	¥212,314
Other operating income	9,104	7,890	7,429	7,496	8,016
Total operating income	147,203	161,941	179,238	198,897	220,330
Financial expenses	29,996	28,837	23,869	23,673	22,064
General and administrative expenses	57,354	62,623	70,972	78,005	86,529
Provision for uncollectible loans	14,948	14,084	17,042	20,305	25,597
Total operating expenses	102,298	105,544	111,883	121,983	134,190
Operating profit	44,905	56,397	67,355	76,914	86,140
Income before income taxes	43,399	55,434	66,620	73,876	82,423
Net income	18,812	25,418	30,770	34,690	38,668
Other Financial Data					
Depreciation and amortization	3,930	3,825	4,476	5,690	6,982
Credit losses written off	12,658	13,473	17,161	17,405	21,556
Purchases of property and equipment	4,875	5,278	7,382	11,262	9,644
Amount per Share (Yen)					
Net income, basic*	¥176.74	¥234.52	¥283.90	¥320.08	¥356.78
Cash dividends	35.00	50.00	55.00	60.00	63.00
Payout ratio (%)	12.22	16.15	17.61	17.04	16.92
Operations					
Number of customer accounts (thousands)	1,463	1,578	1,797	1,992	2,136
Number of branches	544	584	623	760	1,015
Number of automated credit providers	—	20	273	695	977
Number of ATMs and tie-up CDs	1,723	3,705	5,949	13,400	17,037
Weighted average number of shares, basic* (thousands)	106,440	108,381	108,381	108,381	108,381
Number of employees	3,026	3,099	3,417	3,478	3,574

**Net income, basic and weighted average number of shares, basic reflect retroactive adjustment for stock splits according to "APB 15."*

Directors and Corporate Auditors

(as of June 26, 1998)

Representative Directors

Seated: Ryoichi Jinnai, Standing (from left): Takashi Taniguchi, Hirozo Yamada, Yoshihisa Morioka, Hiroki Jinnai

Chairman
Ryoichi Jinnai

Vice Chairman
Takashi Taniguchi

President
Hirozo Yamada

Vice President
Yoshihisa Morioka

Senior Managing Directors
Hiroki Jinnai

Managing Directors


Yoshiki Kamiuchi


Masahide Minowa


Akira Nagashima


Susumu Takenaka


Shunji Kosugi


Masao Sato


Shigeatsu Kojima


Kazuyuki Furukawa


Hideshige Tsukamoto


Kazuya Koshida

Directors

Yukio Yoshida
Yasuhisa Ichikawa
Harumi Yanai
Tsutomu Kasori
Teruaki Watanabe
Yasuhiko Hamaguchi
Hidetsugu Iriyama

Standing Corporate Auditors

Hideo Tada
Tsunesuke Yoshioka
Osamu Ogiya
Hideo Ishibashi

Financial Section

Contents

Non-Consolidated Balance Sheets

Promise Co., Ltd.
March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1998	1997	1998
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 130,707	¥ 84,914	$ 989,452
Consumer loans receivable (Notes 4 and 10):			
Principal	866,634	784,201	6,560,439
Accrued interest income	9,335	7,785	70,669
Less: allowance for credit losses (Note 5)	(26,920)	(22,840)	(203,785)
	849,049	769,146	6,427,323
Short-term investments (Note 6)	8,004	17,384	60,589
Prepaid expenses	2,899	3,106	21,942
Other current assets	14,735	9,021	111,547
Total current assets	1,005,394	883,571	7,610,853
Investments and other assets:			
Investments in securities (Notes 6 and 10)	10,081	11,761	76,315
Investments in and advances to subsidiaries and affiliates	13,032	12,763	98,653
Investments in equity other than capital stock (Note 2(10))	5,229	6,134	39,581
Long-term prepaid expenses	2,266	1,945	17,157
Other investments and advances	6,157	5,762	46,608
Less: allowance for credit losses (Note 5)	(870)	(910)	(6,585)
Total investments and other assets	35,895	37,455	271,729
Property and equipment, net (Note 8)	58,323	57,877	441,506
Fixed leasehold deposits (Note 9)	12,273	10,767	92,903
Total assets	¥1,111,885	¥989,670	$8,416,991

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1998	1997	1998
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings (Note 10)	¥ 64,800	¥ 53,000	$ 490,537
Current portion of long-term debt (Note 10)	193,398	173,975	1,464,027
Accounts payable	5,904	5,161	44,691
Accrued income taxes (Note 18)	25,948	23,173	196,426
Accrued expenses	4,893	4,815	37,042
Other current liabilities	252	287	1,905
Total current liabilities	295,195	260,411	2,234,628
Long-term liabilities:			
Long-term debt (Note 10)	534,275	479,137	4,044,477
Non-current accounts payable (Note 2 (10))	8,590	10,056	65,029
Accrued severance indemnities	6,793	6,237	51,423
Other long-term debt	2,016	2,470	15,257
Total long-term liabilities	551,674	497,900	4,176,186
Contingent liabilities (Note 13)			
Shareholders' equity (Note 14):			
Common stock, ¥50 par value:			
Authorized – 300,000,000 shares			
Issued:			
– 108,615,061 shares at March 31, 1998	13,558	—	102,633
– 98,528,070 shares at March 31, 1997	—	13,023	—
Additional paid-in capital	23,363	22,828	176,858
Legal reserve	3,256	3,256	24,646
Voluntary reserve	185,800	157,800	1,406,510
Retained earnings	39,039	34,452	295,530
Total shareholders' equity	265,016	231,359	2,006,177
Total liabilities and shareholders' equity	¥1,111,885	¥989,670	$8,416,991

Non-Consolidated Statements of Income

Promise Co., Ltd.
For the years ended March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1998	1997	1998
Operating income:			
Interest on consumer loans	¥212,314	¥191,401	$1,607,220
Other operating income (Note 15)	8,016	7,496	60,680
Total operating income	220,330	198,897	1,667,900
Operating expenses:			
Financial expenses (Note 16)	22,064	23,673	167,026
General and administrative expenses (Note 17)	86,529	78,005	655,027
Provision for uncollectible loans (Note 5)	25,597	20,305	193,764
Total operating expenses	134,190	121,983	1,015,817
Operating profit	86,140	76,914	652,083
Other income (expenses):			
Interest and dividend income on investments	446	421	3,378
Insurance money received and insurance dividend	173	934	1,313
Bond issue expenses	(120)	(60)	(907)
Equity in earnings of Tokumei Kumiai (Note 2 (10))	579	567	4,381
Net gain (loss) on sales of short-term investments and investments in securities	(982)	72	(7,434)
Loss on valuation of short-term investments	—	(336)	—
Loss on valuation of investments in securities	(1,736)	(2,324)	(13,142)
Net loss on sales or disposal of property and equipment	(2,762)	(527)	(20,908)
Gain on liquidation of Tokumei Kumiai	1,151	—	8,710
Other, net	(466)	(1,785)	(3,528)
Total other expenses, net	(3,717)	(3,038)	(28,137)
Income before income taxes	82,423	73,876	623,946
Income taxes (Note 18)	43,755	39,186	331,226
Net income	¥ 38,668	¥ 34,690	$ 292,720

	Yen		U.S. Dollars (Note 3)
Amount per share:			
Net income:			
Basic	¥356.78	¥320.08	$2.70
Diluted	349.72	313.74	2.65
Cash dividends	63	60	0.48
Weighted average number of shares (Thousands):			
Basic	108,381	108,381	108,381
Diluted	110,571	110,571	110,571

The accompanying notes are an integral part of these statements.

Non-Consolidated Statements of Shareholders' Equity

Promise Co., Ltd.
For the years ended March 31, 1998 and 1997

	Number of shares of common stock	Millions of Yen				
		Common stock	Additional paid–in capital	Legal reserve	Voluntary reserves	Retained earnings
Balance at March 31, 1996	98,528,070	¥13,023	¥22,828	¥3,256	¥132,800	¥30,805
Net income	—	—	—	—	—	34,690
Cash dividends paid	—	—	—	—	—	(5,911)
Bonuses to directors and statutory auditors	—	—	—	—	—	(132)
Transfer to voluntary reserve	—	—	—	—	25,000	(25,000)
Balance at March 31, 1997	98,528,070	¥13,023	¥22,828	¥3,256	¥157,800	¥34,452
Net income	—	—	—	—	—	38,668
Cash dividends paid	—	—	—	—	—	(5,914)
Bonuses to directors and statutory auditors	—	—	—	—	—	(167)
Transfer to voluntary reserve	—	—	—	—	28,000	(28,000)
Conversion of convertible bonds	226,733	535	535	—	—	—
Stock split (1 into 1.10)	9,860,258	—	—	—	—	—
Balance at March 31, 1998	108,615,061	¥13,558	¥23,363	¥3,256	¥185,800	¥39,039

	Number of shares of common stock	Thousands of U.S. Dollars (Note 3)				
		Common stock	Additional paid–in capital	Legal reserve	Voluntary reserves	Retained earnings
Balance at March 31, 1997	98,528,070	$ 98,584	$172,811	$24,646	$1,194,549	$260,803
Net income	—	—	—	—	—	292,720
Cash dividends paid	—	—	—	—	—	(44,768)
Bonuses to directors and statutory auditors	—	—	—	—	—	(1,264)
Transfer to voluntary reserve	—	—	—	—	211,961	(211,961)
Conversion of convertible bonds	226,733	4,049	4,047	—	—	—
Stock split (1 into 1.10)	9,860,258	—	—	—	—	—
Balance at March 31, 1998	108,615,061	$102,633	$176,858	$24,646	$1,406,510	$295,530

The accompanying notes are an integral part of these statements.

Non-Consolidated Statements of Cash Flows

Promise Co., Ltd.

For the years ended March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1998	1997	1998
Operating activities:			
Net income	¥ 38,668	¥ 34,690	$ 292,720
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6,982	5,690	52,852
Provision for uncollectible loans	25,597	20,305	193,764
Provision for accrued severance indemnities	556	628	4,212
Equity in earnings of Tokumei Kumiai	(372)	(405)	(2,814)
Gain on liquidation of Tokumei kumiai	(1,094)	—	(8,285)
Loss on valuation of short-term investments	—	336	—
Loss on valuation of investments in securities	1,736	2,324	13,142
Net loss on sales or disposal of property and equipment	2,762	527	20,908
Changes in operating assets and liabilities:			
Increase in accrued interest income	(1,551)	(1,008)	(11,738)
Decrease in prepaid expenses	207	140	1,569
Increase in other current assets	(5,715)	(6,172)	(43,261)
Increase in accounts payable	891	444	6,743
Increase in accrued income taxes	2,775	1,671	21,005
Increase (Decrease) in accrued expenses	78	(291)	591
Decrease in other current liabilities	(35)	(167)	(263)
Other, net	527	(97)	3,985
Net cash provided by operating activities	72,012	58,615	545,130
Investing activities:			
Consumer loans made to customers	(553,263)	(528,212)	(4,188,212)
Principal collected on consumer loans	449,359	408,431	3,401,656
Payment for purchase of securities	(3,213)	(1,519)	(24,325)
Proceeds from sales of securities	11,556	2,208	87,482
Purchases of property and equipment	(9,644)	(11,262)	(73,004)
Proceeds from sales of property and equipment	286	7	2,161
Increase in fixed leasehold deposits	(1,506)	(347)	(11,398)
Decrease (Increase) in other investments	(1,141)	555	(8,641)
Net cash used in investing activities	(107,566)	(130,139)	(814,281)
Financing activities:			
Proceeds from long-term debt	250,516	236,170	1,896,412
Repayments of long-term debt	(174,885)	(173,057)	(1,323,880)
Increase in short-term borrowings	11,800	1,268	89,326
Cash dividends paid	(5,917)	(5,907)	(44,795)
Bonuses paid to directors and statutory auditors	(167)	(132)	(1,264)
Net cash provided by financing activities	81,347	58,342	615,799
Net increase (decrease) in cash and cash equivalents	45,793	(13,182)	346,648
Cash and cash equivalents at beginning of the year	84,914	98,096	642,804
Cash and cash equivalents at end of the year	¥ 130,707	¥ 84,914	$ 989,452
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	¥ 20,765	¥ 23,751	$ 157,189
Income taxes	40,980	37,565	310,221

The accompanying notes are an integral part of these statements.

Notes to the Non-Consolidated Financial Statements

Promise Co., Ltd.

1. Basis of Presenting the Non-Consolidated Financial Statements

The accompanying non-consolidated financial statements have been prepared from accounts and records maintained by Promise Co., Ltd. (the "Company") in accordance with the provisions set forth in the Commercial Code of Japan (the "Commercial Code") and in conformity with accounting principles generally accepted in Japan.

Relevant notes have been added, and certain reclassifications of account balances as disclosed have been made, so as to present them in a form which is more familiar to readers outside Japan.

Although the non-consolidated statements of shareholders' equity and cash flows are not prepared in Japan for domestic reporting purposes, such statements have been prepared for the purpose of inclusion in this document.

2. Summary of Significant Accounting Policies

(1) Recognition of Interest Income

Interest income on consumer loans is recognized when collections are made during each financial period. At the end of each financial period, the accrual basis is used to reflect the interest income earned, in accordance with Japanese tax practice, at the lower of interest rates provided by the Interest Rate Restriction Law of Japan or contracted interest rates and any excess of contractual rates over statutory rates is not reflected for accounting purposes.

(2) Presentation of Financial Income and Expenses

Interest income on loans and dividend income from subsidiaries and affiliates and dividends and interest on investments in securities are excluded from "Operating income" in the accompanying non-consolidated statements of income.

Interest expense, which does not directly match operating income, is excluded from "Operating expenses" in the accompanying non-consolidated statements of income.

These income or expense amounts are principally included in "Other income" or "Other expenses" in the accompanying non-consolidated statements of income.

(3) Allowance for Credit Losses and Write-Offs

The allowance for credit losses is provided in an amount equivalent to the maximum deduction allowed by tax laws, or in an amount deemed necessary to cover possible non-collectible accounts based on management's judgment, whichever is greater.

Consumer loans are written off against the allowance for credit losses when both interest and principal of the loans have been unpaid for a certain specified period of time, or after follow-up requests for payment, and/or uncollectibility of accounts is clearly demonstrated by conditions such as the customer's bankruptcy or death.

The written-off balances of these consumer loans are managed by the special collection department. This department makes an effort to collect the previously written-off balances as long as these balances are legally collectable. When the previously written-off balances and the related interest are subsequently recovered and collected, the collected amounts are included in "Other operating income" in the accompanying statements of income in the year of recovery.

(4) Valuation of Securities

Securities listed on stock exchanges are valued at the lower of cost or market, cost being determined by the moving average method. Other securities are valued at cost, which is determined by the moving average method. However, if the market value of the securities substantially declines and the decline is deemed to be of a permanent nature, an appropriate writedown is required.

Under the "at the lower of cost or market" method, the comparison of cost with lower market value is made for specific securities, not on an aggregate basis.

(5) Property and Equipment

Depreciation is computed on the declining-balance method, based on the estimated useful lives of assets as prescribed by tax laws. The range of useful lives is principally from 3 to 65 years for buildings and from 3 to 20 years for furniture, fixtures and equipment.

Normal repairs and maintenance including minor renewals and improvements are charged to income as incurred. Gain or loss on the disposal of property and equipment is recognized in the period of disposal.

(6) Investments in and Advances to Subsidiaries and Affiliates

Investments in subsidiaries and affiliates are valued at cost. The equity method to account for investments in common shares of subsidiaries and affiliates has not been followed by the Company in the accompanying non-consolidated financial statements.

(7) Amortization

Amortization of computer software, which is included in "Long-term prepaid expenses" in the accompanying balance sheets, is principally computed on the straight-line method over 5 years, as specified by tax laws.

(8) Foreign Currency Translation

Foreign currencies and short-term receivables and payables (including current portion of long-term debt) denominated in foreign currencies are translated into Japanese yen at the relevant exchange rates prevailing at the respective balance sheet dates. The resulting transaction gains or losses are included in the determination of "Other operating income" ("Financial expenses") for the year.

Long-term receivables and payables denominated in foreign currencies including investments in overseas subsidiaries are translated at the historical rates prevailing at the transaction dates.

However, short-term and long-term payables in foreign currencies which are hedged by forward exchange contracts are translated into yen at the contracted rate of exchange.

(9) Leases

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

(10) Accounting for Japanese Leveraged Leasing Transactions

The Company entered into several Tokumei Kumiai (which is provided by the Commercial Code § 535 and is similar to a limited partnership) agreements with certain leasing companies with the objective of purchasing aircraft and leasing them to foreign aircraft companies as operating leases. The total amount of investments in Tokumei Kumiai as of March 31, 1998 is ¥3,814 million ($28,874 thousand) and the contract terms range from 10 years to 18 years. Due to the fact that Tokumei Kumiai are designed to incur loss in its early years of operation, the Company has recognized substantial loss on such investments in proportion to its share in Tokumei Kumiai.

Investments in Tokumei Kumiai contracts are included in "Investments in equity other than capital stock" in the accompanying balance sheets. The Company accounts for income or losses under the Tokumei Kumiai contracts as "Equity in earnings of Tokumei Kumiai" in financial statements for the period in which the accounting period of the Tokumei Kumiai ends.The accumulated losses from Tokumei Kumiai contracts aggregated ¥8,590 million ($65,029 thousand) as of March 31, 1998. These losses are classified as "Non-current accounts payable" in the accompanying balance sheets.

(11) Income Taxes

Income taxes are provided based on amounts required by the tax returns for the period. No tax effect is recorded for temporary differences between tax and financial reporting.

(12) Accrued Severance Indemnities and Pension Plan

Under the terms of the retirement plan of the Company, employees of the Company with more than two years of service are generally entitled to lump-sum payments at the time of retirement.

The amount of the retirement benefit is, in general, based on the length of service, the accumulated points of individual performance evaluation and cause of retirement.

The Company fully accrues severance indemnities that would be required if all eligible employees retired voluntarily at the balance sheet date, reduced by the estimated benefits provided by a non-contributory funded pension plan. Such liability is not funded.

The Company has a non-contributory funded pension plan to cover 90% of the severance indemnities for employees who meet the following conditions. The pension plan of the Company provides for a lump-sum payment or annual payments for life after retirement to the retiring employees who have reached the age of 60 (mandatory retirement age) or who have reached the age of 51, with at least 15 years of employment in the Company.

The directors and statutory auditors of the Company are covered by a retirement benefit plan under which the retiring directors or statutory auditors are entitled to receive lump-sum retirement benefits. The amount of such benefits is determined based on the Company's pertinent rules. The accrued severance indemnities for the directors and statutory auditors in accompanying balance sheets represent the estimated amount to be paid if all directors and statutory auditors retired at the balance sheet dates.

(13) Bond Issue Expenses

Bond issue expenses are charged to income as incurred.

(14) Appropriation of Retained Earnings

Under the Commercial Code and the Articles of Incorporation of the Company, proposals by the Board of Directors for the appropriation of retained earnings (principally the payment of annual cash dividends) should be approved by a shareholders' meeting which must be held within three months after the end of each financial year. The appropriation of retained earnings reflected in the accompanying non-consolidated financial statements for each financial year represents the appropriations which were approved by the shareholders' meeting and disposed of during that year but which related to the immediately preceding financial year.

The payment of bonuses to directors and statutory auditors is made out of retained earnings instead of being charged to income for the year and constitutes a part of appropriations referred to above.

(15) Net Income and Dividend per Share

Basic net income per share is based upon the weighted average number of shares of common stock outstanding during each period, after appropriate retroactive adjustments for the stock splits made by the Company.

Diluted net income per share is based upon the weighted average number of shares of common stock outstanding during each period after consideration of the dilutive effect of the non-interest bearing convertible bond.

Cash dividends per share represent interim dividend paid and annual dividends declared as applicable to the respective years.

(16) Cash Equivalents

All deposits at banks with an original maturity date of one year or less and government and corporate bonds purchased under re-sale agreements are considered to be cash equivalents.

3. United States Dollar Amounts

The Company prepares its non-consolidated financial statements in Japanese yen. The U.S. dollar amounts included in the accompanying non-consolidated financial statements and notes thereto represent the arithmetical results of translating yen into dollars at the rate of ¥132.10 to U.S. $1, being the effective rate of exchange at March 31, 1998. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at the rate of ¥132.10 to U.S. $1 or at any other rate.

4. Consumer Loans Receivable

Unsecured loans to individual customers, which were included in "Consumer loans receivable", were ¥858,225 million ($6,496,783 thousand) and ¥775,160 million as of March 31, 1998 and 1997, respectively.

5. Allowance for Credit Losses

Transactions affecting the "allowance for credit losses" account for the years ended March 31, 1998 and 1997 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1998	1997	1998
Balance at beginning	¥ 23,750	¥20,850	$179,788
Credit losses written-off against the allowance	(21,557)	(17,405)	(163,182)
Provision for uncollectible loans	25,597	20,305	193,764
Balance at end	¥27,790	¥23,750	$210,370

6. Short-term Investments and Investments in Securities

Short-term investments and investments in securities held by the Company as of March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1998	1997	1998
Short-term investments:			
Equity securities	¥ 4,827	¥11,499	$ 36,543
Other securities	3,177	5,885	24,046
	¥ 8,004	¥17,384	$ 60,589
Investments in securities:			
Equity securities	¥ 7,993	¥ 9,673	$ 60,511
Government and corporate bonds	2,088	2,088	15,804
	¥10,081	¥11,761	$ 76,315

Book value and market value information on short-term investments and investments in securities held by the Company as of March 31, 1998 was summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Book value per balance sheet	Market value	Unrealized gain	Book value per balance sheet	Market value	Unrealized gain
Short-term investments:						
Equity securities	¥ 4,827	¥ 9,866	¥ 5,039	$ 36,543	$ 74,688	$ 38,145
Other securities	200	201	1	1,514	1,520	6
	5,027	10,067	5,040	38,057	76,208	38,151
Investments in securities:						
Equity securities	7,197	12,456	5,259	54,484	94,293	39,809
	¥12,224	¥22,523	¥10,299	$ 92,541	$170,501	$ 77,960

Book values of securities which were excluded from the above disclosure of book value and market value information on short-term investments and investments in securities held by the Company as of March 31, 1998 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Short-term investments:		
Other securities	¥2,977	$ 22,532
Investments in securities:		
Equity securities	796	6,027
Government and corporate bonds	2,088	15,804

The market value information on these securities is not required under Japanese GAAP.

7. Financial Instruments

The Company enters into interest rate swap agreements to convert variable interest rates on the principal amount of certain debts to fixed interest rates. This agreements are used to reduce the exposure to market risk from fluctuation in interest rate. The Company does not hold or issue any financial instruments for trading purposes. The amounts underlying of the interest rate swap agreements was nil at March 31, 1998.

8. Property and Equipment

Property and equipment at March 31, 1998 and 1997 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1998	1997	1998
Buildings	¥23,167	¥21,428	$175,372
Structures	4,966	4,157	37,592
Furniture, fixtures and equipment	29,989	25,884	227,015
Other	2	15	16
	58,124	51,484	439,995
Less: Accumulated depreciation	(28,063)	(23,969)	(212,436)
	30,061	27,515	227,559
Land	27,870	30,362	210,976
Construction in progress	392	—	2,971
	¥58,323	¥57,877	$441,506

9. Fixed Leasehold Deposits

Fixed leasehold deposits as at March 31, 1998 and 1997 were mainly those paid to the lessors in connection with the leases of facilities for office space. Lessors in Japan require large amounts of leasehold deposits equivalent to several months' lease rental payments. Such leasehold deposits do not bear interest and are generally returnable only when the lease is terminated.

10. Short-term Borrowings and Long-term Debt

Information on the amount of short-term borrowings outstanding at March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1998	1997	1998
Short-term bank loans*			
Secured	¥ 12,800	¥ 12,800	$ 96,896
Entered into the forward contract of assigning consumer loans receivable	26,800	34,900	202,877
Unsecured	5,200	5,300	39,364
	44,800	53,000	339,137
Commercial paper	20,000	—	151,400
	¥ 64,800	¥ 53,000	$490,537
Notes*:			
Maximum month-end balance outstanding during the period	¥ 57,700	¥ 54,232	$436,790
Average month-end balance outstanding during the period	51,117	51,954	386,954
Weighted average interest rate for the period	1.458%	1.509%	1.458%

Short-term bank loans outstanding at March 31, 1998 and 1997 were represented mainly by overdrafts with banks bearing interest at annual rates ranging from 1.063% to 2.125% and from 1.011% to 3.050%, respectively.

The principal ranges of annual interest rates applicable to commercial paper at March 31, 1998 were from 1.500% to 2.112%.

Long-term debt outstanding at March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1998	1997	1998
Loans, principally from banks and other financial institutions with interest rates indicated below*1:			
Secured	¥181,085	¥175,100	$1,370,818
Entered into the forward contract of assigning consumer loans receivable	333,568	306,183	2,525,116
Unsecured	174,089	151,829	1,317,865
	688,742	633,112	5,213,799
Uncollateralized zero coupon convertible yen bonds, due 2000*2	8,931	10,000	67,605
2.100% per annum uncollateralized yen bonds, due 2002	10,000	10,000	75,700
2.600% per annum uncollateralized yen bonds, due 2002	10,000	—	75,700
2.000% per annum uncollateralized yen bonds, due 2002	10,000	—	75,700
Less: portion due within one year	(193,398)	(173,975)	(1,464,027)
	¥534,275	¥479,137	$4,044,477
Weighted average interest rate for the period	2.872%	3.193%	2.872%

Notes:

*1 Annual interest rates on loans from banks and other financial institutions outstanding as of March 31, 1998 and 1997 ranged from 1.253% to 8.655% and from 1.925% to 5.995%, respectively.

*2 The uncollateralized convertible yen bonds in the initial principal amount of ¥10,000 million due March 31, 2000 were issued on February 22, 1996, and are convertible into common stock of the Company. The current conversion price is ¥4,566.40 per share.

The Company' s assets pledged as collateral for short-term bank loans and long-term loans with banks and other financial institutions at March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1998	1997	1998
Consumer loans receivable*	¥198,922	¥192,696	$1,505,847
Investments in securities	321	325	2,426
	¥199,243	¥193,021	$1,508,273

Note:

* In addition to the above assets pledged, the Company entered into the forward contract of assigning consumer loans receivable. The contract amounts were ¥376,279 million ($2,848,442 thousand) and ¥ 354,466 million as of March 31, 1998 and 1997, respectively.

The aggregate annual maturities of long-term debt, excluding the above bonds, outstanding at March 31, 1998 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31,		
1999	¥193,398	$1,464,027
2000	209,639	1,586,970
2001	153,291	1,160,416
2002	95,285	721,310
2003 and thereafter	37,129	281,076
	¥688,742	$5,213,799

11. Pension Plans

The accumulated balances of fund assets of the funded pension plans of the Company aggregated ¥4,594 million ($34,779 thousand), as of March 31, 1998, which is the date of the most recent actuarial valuation.

The past service costs for these pension plans are being amortized at the rate of 30% per annum by the declining-balance method.

12. Lease Commitments

(1)Rental, depreciation and interest expense relating to financing leases, which do not transfer ownership of the leased properties to the lessee during the terms of the leases, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1998	1997	1998
Rental expense	¥ 2,387	¥ 2,407	$ 18,072
Depreciation expense	2,186	2,177	16,546
Interest expense	216	314	1,635

The depreciation expense is computed on a straight-line basis over the terms of the related leases. The interest expense is computed by the interest method.

The aggregate future lease payments as of March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1998	1997	1998
Due within one year	¥ 2,198	¥ 2,181	$ 16,636
Due after one year	1,942	3,956	14,698
	¥ 4,140	¥ 6,137	$ 31,334

A summary of the leased properties under the above leases as of March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1998	1997	1998
Furniture, fixtures and equipment	¥ 8,613	¥ 8,882	$ 65,199
Other	404	338	3,061
	9,017	9,220	68,260
Less: Accumulated depreciation	(5,051)	(3,261)	(38,236)
	¥ 3,966	¥ 5,959	$ 30,024

(2)The aggregate future lease payments under ordinary operating leases as of March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1998	1997	1998
Due within one year	¥ 113	—	$ 854
Due after one Year	150	—	1,138
	¥ 263	—	$ 1,992

13. Contingent Liabilities

As of March 31, 1998, the Company was contingently liable as a guarantor of loans primarily to subsidiaries from banks and financial institutions in the aggregate amount of ¥15,744 million ($119,182 thousand). In addition, the Company has guaranteed up to ¥1,000 million ($7,570 thousand) for the forward contract of assigning consumer loans receivable of ¥1,050 million ($7,949 thousand) as collateral.

14. Shareholders' Equity

Under the Commercial Code, at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital.

On November 20, 1997, the Company made stock splits to shareholders of record as of September 30, 1997 of 9,860 thousand shares in the ratio of 1.10 shares for each one share held.

The Commercial Code provides that an amount equal to at least 10% of cash dividends and other appropriations of retained earnings paid out with respect to each financial period be set aside in a legal reserve until such reserve equals 25% of the amount of common stock.

This reserve may be transferred to common stock by a resolution of the Board of Directors or used to reduce a deficit with the approval of a shareholders' meeting but is not available for dividend payments.

15. Other Operating Income

As described in Note2(3), the collected amounts are included in “Other operating income” in the accompanying statements of income in the year of recovery, when the previously written-off balances of consumer loans and the related interest are subsequently recovered and collected.

These collected amounts for the years ended March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1998	1997	1998
Collected amounts	¥ 4,381	¥ 4,156	$ 33,165

16. Financial Expenses

Interest expense, which was included in “Financial expenses” in the accompanying non-consolidated statements of income, for the years ended March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1998	1997	1998
Interest expense	¥ 21,262	¥ 22,208	$160,957

17. General and Administrative Expenses

General and administrative expenses in the accompanying non-consolidated statements of income, for the years ended March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1998	1997	1998
Advertisements	¥ 11,325	¥ 10,965	$ 85,732
Employees' salary and bonuses	19,582	19,004	148,237
Rent expenses	10,620	9,077	80,395
Other	45,002	38,959	340,663
	¥ 86,529	¥ 78,005	$655,027

18. Income Taxes

The Company is subject to a number of different taxes based on income, which in the aggregate indicate a normal effective statutory income tax rate of approximately 51% for the years ended March 31,1998 and 1997.

However, the income tax expenses shown in the accompanying non-consolidated statements of income differ from the amounts computed by applying the above-mentioned statutory tax rates to “Income before income taxes”. The principal reasons for such differences are that no tax effects have been recognized on certain temporary differences between financial accounting and tax reporting purposes. The main elements of such temporary differences are allowances for credit losses provided for accounting purposes in excess of the limit established by the tax laws and accrued enterprise tax which is not deductible until paid.

Although enterprise taxes are normally presented as part of selling, general and administrative expenses in the financial statements prepared in conformity with the accounting practices in Japan, the reclassification has been made to present income taxes in their entirety in the accompanying non-consolidated financial statements.

19. Subsequent Events

At the general shareholders' meeting of the Company held on June 26, 1998, the appropriation of unappropriated retained earnings was duly approved as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at March 31, 1998	¥39,039	$295,530
Appropriation:		
Legal reserve	(134)	(1,012)
Cash dividends, ¥33 ($0.25) per share	(3,584)	(27,133)
Transfer to voluntary reserve	(30,500)	(230,886)
Directors' and statutory auditors' bonuses	(171)	(1,296)
	¥ 4,650	$ 35,203

Report of the Independent Certified Public Accountants on the Non-Consolidated Financial Statements of the Company

To the Board of Directors of
Promise Co., Ltd.

We have audited the non-consolidated balance sheets of Promise Co., Ltd. as of March 31, 1998 and 1997, and the related non-consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Promise Co., Ltd. as of March 31, 1998 and 1997, and the non-consolidated results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

Chuo Audit Corporation

Chuo Audit Corporation

Osaka, Japan
June 26, 1998

Consolidated Balance Sheets

Promise Co., Ltd.
March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1998	1997	1998
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 136,283	¥ 88,651	$1,031,662
Receivables and consumer loans:			
Notes and accounts receivable (Note 9)	38,478	30,314	291,278
Consumer loans receivable (Notes 4 and 9):			
Principal	913,564	821,857	6,915,697
Accrued interest income	9,627	7,931	72,876
Less: allowance for credit losses (Note 5)	(30,224)	(25,016)	(228,791)
	931,445	835,086	7,051,060
Short-term investments (Note 6)	8,002	17,461	60,575
Prepaid expenses	3,300	3,498	24,981
Other current assets	15,978	10,137	120,957
Total current assets	1,095,008	954,833	8,289,235
Investments and other assets:			
Investments in securities (Notes 6 and 9)	10,254	11,914	77,622
Investments in and advances to unconsolidated subsidiaries and affiliates	7,502	7,916	56,794
Investments in equity other than capital stock (Note 2 (11))	5,229	6,134	39,581
Long-term prepaid expenses	3,783	3,036	28,635
Other investments and advances	6,765	6,234	51,213
Less: allowance for credit losses (Note 5)	(870)	(910)	(6,586)
Total investments and other assets	32,663	34,324	247,259
Property and equipment, net (Note 7)	60,131	59,004	455,195
Fixed leasehold deposits (Note 8)	13,247	11,712	100,282
Adjustments on foreign currency statement translation	26	—	195
Total assets	¥1,201,075	¥1,059,873	$9,092,166

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1998	1997	1998
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings (Note 9)	¥ 83,305	¥ 59,326	$ 630,622
Current portion of long-term debt (Note 9)	211,210	192,715	1,598,864
Accounts payable:			
Trade	567	567	4,294
Other	7,770	6,468	58,817
	8,337	7,035	63,111
Accrued income taxes (Note 17)	26,713	23,520	202,216
Accrued expenses	5,213	5,088	39,459
Deferred unrealized profit on sales	1,791	1,508	13,558
Other current liabilities	5,257	11,642	39,798
Total current liabilities	341,826	300,834	2,587,628
Long-term liabilities:			
Long-term debt (Note 9)	568,666	500,550	4,304,815
Non-current accounts payable (Note 2 (11))	8,590	10,056	65,029
Accrued severance indemnities (Note 9)	6,910	6,354	52,310
Other long-term debt	1,981	2,443	14,992
Total long-term liabilities	586,147	519,403	4,437,146
Excess investment cost under net assets of consolidated subsidiaries acquired	48	97	367
Adjustments on foreign currency statement translation	—	68	—
Minority interest	4,186	4,171	31,689
Contingent liabilities (Note 12)			
Shareholders' equity (Note 13)**:**			
Common stock, ¥50 par value:			
Authorized – 300,000,000 shares			
Issued:			
– 108,615,061 shares at March 31, 1998	13,558	—	102,633
– 98,528,070 shares at March 31, 1997	—	13,023	—
Additional paid-in capital	23,363	22,828	176,858
Legal reserve	3,405	3,390	25,775
Retained earnings	228,544	196,059	1,730,084
Less: treasury stock	(2)	(0)	(14)
Total shareholders' equity	268,868	235,300	2,035,336
Total liabilities and shareholders' equity	¥1,201,075	¥1,059,873	$9,092,166

Consolidated Statements of Income

Promise Co., Ltd.

For the years ended March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1998	1997	1998
Operating income (Note 18):			
Interest on consumer loans	¥224,079	¥201,026	$1,696,285
Sales	19,046	14,834	144,177
Other operating income (Note 14)	9,961	9,149	75,404
Total operating income	253,086	225,009	1,915,866
Operating expenses (Note 18):			
Financial expenses (Note 15)	23,752	25,021	179,799
Cost of sales	16,985	13,216	128,578
General and administrative expenses (Note 16)	95,204	85,570	720,694
Provision for uncollectible loans (Note 5)	28,751	22,379	217,648
Total operating expenses	164,692	146,186	1,246,719
Operating profit (Note 18)	88,394	78,823	669,147
Other income (expenses):			
Interest and dividend income on investments	376	287	2,845
Insurance money received and insurance dividend	173	934	1,313
Interest expense	(832)	(559)	(6,296)
Bond issue expenses	(120)	(60)	(907)
Equity in earnings of Tokumei Kumiai (Note 2 (11))	579	567	4,381
Net gain (loss) on sales of short-term investments and investments in securities	(962)	72	(7,283)
Loss on valuation of short-term investments	(0)	(348)	(0)
Loss on valuation of investments in securities	(1,784)	(2,324)	(13,504)
Net loss on sales or disposal of property and equipment	(2,871)	(565)	(21,732)
Gain on liquidation of Tokumei Kumiai	1,151	—	8,710
Other, net	(300)	(1,675)	(2,277)
Total other expenses, net	(4,590)	(3,671)	(34,750)
Income before income taxes	83,804	75,152	634,397
Income taxes (Note 17)	44,858	40,025	339,574
Minority interest	53	144	404
Amortization of excess of cost under net assets acquired, net	(48)	(141)	(367)
Net income	¥ 38,941	¥ 35,124	$ 294,786

	Yen		U.S. Dollars (Note 3)
Amount per share:			
Net income:			
Basic	¥359.31	¥324.08	$2.72
Diluted	352.19	317.66	2.67
Cash dividends	63	60	0.48
Weighted average number of shares (Thousands):			
Basic	108,378	108,381	108,378
Diluted	110,568	110,571	110,568

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Promise Co., Ltd.
For the years ended March 31, 1998 and 1997

		Millions of Yen				
	Number of shares of common stock	Common stock	Additional paid–in capital	Legal reserve	Retained earnings	Treasury stock
Balance at March 31, 1996	98,528,070	¥13,023	¥22,828	¥3,367	¥167,071	¥(1)
Net income	—	—	—	—	35,124	—
Cash dividends paid	—	—	—	—	(5,913)	—
Bonuses to directors and statutory auditors	—	—	—	—	(140)	—
Transfer to legal reserve	—	—	—	23	(23)	—
Decrease due to issuance of common stock of a subsidiary	—	—	—	—	(60)	—
Decrease in treasury stock	—	—	—	—	—	0
Balance at March 31, 1997	98,528,070	¥13,023	¥22,828	¥3,390	¥196,059	¥(0)
Net income	—	—	—	—	38,941	—
Cash dividends paid	—	—	—	—	(5,914)	—
Bonuses to directors and statutory auditors	—	—	—	—	(177)	—
Transfer to legal reserve	—	—	—	15	(15)	—
Conversion of convertible bonds	226,733	535	535	—	—	—
Stock split (1 into 1.10)	9,860,258	—	—	—	—	—
Decrease due to inclusion of a company in the consolidation	—	—	—	—	(350)	—
Increase in treasury stock	—	—	—	—	—	(2)
Balance at March 31,1998	108,615,061	¥13,558	¥23,363	¥3,405	¥228,544	¥(2)

		Thousands of U.S. Dollars (Note 3)				
	Number of shares of common stock	Common stock	Additional paid–in capital	Legal reserve	Retained earnings	Treasury stock
Balance at March 31, 1997	98,528,070	$98,584	$172,811	$25,661	$1,484,171	$(4)
Net income	—	—	—	—	294,786	—
Cash dividends paid	—	—	—	—	(44,768)	—
Bonuses to directors and statutory auditors	—	—	—	—	(1,341)	—
Transfer to legal reserve	—	—	—	114	(114)	—
Conversion of convertible bonds	226,733	4,049	4,047	—	—	—
Stock split (1 into 1.10)	9,860,258	—	—	—	—	—
Decrease due to inclusion of a company in the consolidation	—	—	—	—	(2,650)	—
Increase in treasury stock	—	—	—	—	—	(10)
Balance at March 31, 1998	108,615,061	$102,633	$176,858	$25,775	$1,730,084	$(14)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Promise Co., Ltd.

For the years ended March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1998	1997	1998
Operating activities:			
Net income	¥ 38,941	¥ 35,124	$ 294,786
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,779	6,183	58,885
Provision for uncollectible loans	28,751	22,379	217,647
Provision for accrued severance indemnities	557	577	4,214
Equity in earnings of Tokumei Kumiai	(372)	(405)	(2,814)
Gain on liquidation of Tokumei Kumiai	(1,094)	—	(8,285)
Loss on valuation of short-term investments	0	348	0
Loss on valuation of investments in securities	1,784	2,324	13,504
Net loss on sales or disposal of property and equipment	2,871	565	21,732
Changes in operating assets and liabilities:			
Increase in notes and accounts receivable	(8,605)	(8,613)	(65,136)
Increase in accrued interest income	(1,696)	(1,021)	(12,835)
Decrease in prepaid expenses	198	160	1,496
Increase in other current assets	(5,841)	(5,453)	(44,215)
Increase in accounts payable	1,417	439	10,729
Increase in accrued income taxes	3,193	1,202	24,167
Increase (Decrease) in accrued expenses	124	(264)	940
Increase in deferred unrealized profit on sales	283	391	2,144
Increase (Decrease) in other current liabilities	(6,385)	5,159	(48,333)
Increase in minority interest	14	149	108
Other, net	(126)	37	(957)
Net cash provided by operating activities	61,793	59,281	467,777
Investing activities:			
Consumer loans made to customers	(593,669)	(557,210)	(4,494,085)
Principal collected on consumer loans	481,108	430,835	3,641,996
Payment for purchase of securities	(3,281)	(1,668)	(24,835)
Proceeds from sales of securities	11,631	2,209	88,048
Purchases of property and equipment	(10,822)	(11,811)	(81,921)
Proceeds from sales of property and equipment	294	84	2,223
Increase in fixed leasehold deposits	(1,536)	(473)	(11,629)
Increase in other investments	(1,063)	(216)	(8,045)
Net cash used in investing activities	(117,338)	(138,250)	(888,248)
Financing activities:			
Proceeds from long-term debt	286,327	255,564	2,167,498
Repayments of long-term debt	(198,574)	(187,239)	(1,503,207)
Increase in short-term borrowings	21,518	2,478	162,890
Cash dividends paid	(5,917)	(5,907)	(44,795)
Bonuses paid to directors and statutory auditors	(177)	(140)	(1,341)
Issuance of common stock of a subsidiary	—	1,430	—
Net cash provided by financing activities	103,177	66,186	781,045
Net increase (decrease) in cash and cash equivalents	47,632	(12,783)	360,574
Cash and cash equivalents at beginning of the year	88,651	101,434	671,088
Cash and cash equivalents at end of the year	¥136,283	¥ 88,651	$1,031,662
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	¥ 22,400	¥ 25,590	$ 169,568
Income taxes	41,655	38,858	315,333

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

Promise Co., Ltd. and Subsidiaries

1. Basis of Presenting the Consolidated Financial Statements

The accounting records of Promise Co., Ltd. (the "Company") and its domestic consolidated subsidiary are maintained in accordance with the provisions set forth in the Commercial Code of Japan (the "Commercial Code") and in conformity with accounting principles generally accepted in Japan.

The accounts of overseas subsidiaries consolidated with the Company are based on the financial statements prepared in conformity with generally accepted accounting principles (the "GAAP") and practices prevailing in the countries where the subsidiaries have been incorporated. Financial statements have not been materially affected by the differences between the GAAP prevailing in these countries and Japanese GAAP. Therefore, no adjustments have been reflected in the accompanying consolidated financial statements to present the accounts of the subsidiaries in compliance with Japanese accounting principles and practices.

Certain account balances, as disclosed in the basic consolidated financial statements in Japan, have been summarized or reclassified to the extent deemed necessary to enable presentation in a form which is more familiar to readers outside Japan.

2. Summary of Significant Accounting Policies

(1) Scope and Significant Accounting Policies

The Company had 15 subsidiaries and 4 affiliates (which term includes 20% to 50% owned companies) as of March 31, 1998 and 14 subsidiaries and an affiliate as of March 31, 1997. The accompanying consolidated financial statements include the accounts of the Company and 4 (3 for each of the previous years) of its subsidiaries (together, the "Companies"), which are listed below:

Name	Country of incorporation	Equity ownership percentage at March 31, 1998	Fiscal year-end
GC Co., Ltd.	Japan	63.86%	March 31
Liang Jing Co., Ltd.	Taiwan	100.00%	December 31
Yuukei Co., Ltd.	Taiwan	99.78%	December 31
Promise (Hong Kong) Co., Ltd.*	Hong Kong	100.00%	December 31

*Included in the consolidation effective from the year ended March 31, 1998.

The remaining 11 unconsolidated subsidiaries at March 31, 1998 were not consolidated because their aggregate sales, total assets, total net income and total retained earnings available for the Company were not material to the consolidated results of operations, total assets, total net income and total retained earnings, respectively.

Any material difference between the cost of investment in a subsidiary and the equity in its net assets at the date of acquisition is amortized over five years.

For the purpose of preparing the accompanying consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated. The amounts of certain subsidiaries have been included on the basis of fiscal periods ended three months prior to March 31.

(2) Translation of Foreign Currency Financial Statements

The accounts of the overseas consolidated subsidiaries are translated into Japanese yen by the methods prescribed under the statements revised by the Business Accounting Deliberation Council of Japan. Under this method, balance sheet accounts are translated at current rates. However, shareholders' equity is translated at the historical rate. Differences arising from the translations are stated under the section entitled "Adjustments on foreign currency statement translation" which is cited in the accompanying consolidated balance sheet. Revenues and expenses are translated at the average rate for the year.

(3) Recognition of Revenues

(a) Interest income

Interest income on consumer loans is recognized when collections are made during each financial period. At the end of each financial period, the accrual basis is used to reflect the interest income earned, in accordance with Japanese tax practice, at the lower of interest rates provided by the Interest Rate Restriction Law of Japan or contracted interest rates and any excess of contractual rates over statutory rates is not reflected for accounting purposes.

(b) Installment sales

Gross margins on installment sales are only recognized when the related installment receivables become due.

(4) Allowance for Credit Losses and Write–Offs

The allowance for credit losses of the Company and its domestic consolidated subsidiary is provided in an amount equivalent to the maximum deduction allowed by tax laws, or in an amount deemed necessary to cover possible noncollectible accounts based on management's judgment, whichever is greater.

Consumer loans are written off against the allowance for credit losses when both interest and principal of the loans have been unpaid for a certain specified period of time, or after follow-up requests for payment, and/or uncollectibility of accounts is clearly demonstrated by conditions such as the customer's bankruptcy or death.

The written-off balances of these consumer loans are managed by the special collection department. This department makes an effort to collect the previously written-off balances as long as these balances are legally collectable. When the previously written-off balances and the related interest are subsequently recovered and collected, the collected amounts are included in "Other operating income" in the accompanying statements of income in the year of recovery.

The allowance for credit losses of the overseas consolidated subsidiaries is determined by estimates of management in amounts sufficient to cover possible losses on collection.

(5) Valuation of Securities

Securities listed on stock exchanges are valued at the lower of cost or market, cost being determined by the moving average method. Other securities are valued at cost, which is determined by the moving average method. However, if the market value of the securities substantially declines and the decline is deemed to be of a permanent nature, an appropriate writedown is required.

Under the "at the lower of cost or market" method, the comparison of cost with lower market value is made for specific securities, not on an aggregate basis.

(6) Property and Equipment

Depreciation is principally computed on the declining–balance method, based on the estimated useful lives of assets as prescribed by tax laws. The range of useful lives is principally from 3 to 65 years for buildings and from 3 to 20 years for furniture, fixtures and equipment.

Normal repairs and maintenance including minor renewals and improvements are charged to income as incurred. Gain or loss on the disposal of property and equipment is recognized in the period of disposal.

(7) Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates are carried at cost and are not adjusted for equity in earnings (loss) of such subsidiaries and affiliates for each fiscal year because the effect of applying the equity method is not material.

(8) Amortization

Amortization of computer software, which is included in "Long-term prepaid expenses" in the accompanying balance sheets, is principally computed on the straight-line method over 5 years, as specified by tax laws.

(9) Foreign Currency Translation

Foreign currencies and short-term receivables and payables (including current portion of long-term debt) denominated in foreign currencies are translated into Japanese yen at the relevant exchange rates prevailing at the respective balance sheet dates. The resulting transaction gains or losses are included in the determination of "Other operating income" (Financial expenses") for the year.

Long-term receivables and payables denominated in foreign currencies including investments in overseas subsidiaries are translated at the historical rates prevailing at the transaction dates.

However, short-term and long-term payables in foreign currencies which are hedged by forward exchange contracts are translated into yen at the contracted rate of exchange.

(10) Leases

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

(11) Accounting for Japanese Leveraged Leasing Transactions

The Company entered into several Tokumei Kumiai (which is provided by the Commercial Code §535 and is similar to a limited partnership) agreements with certain leasing companies with the objective of purchasing aircraft and leasing them to foreign aircraft companies as operating leases. The total amount of investments in Tokumei Kumiai as of March 31, 1998 is ¥3,814 million ($28,874 thousand) and the contract terms range from 10 years to 18 years. Due to the fact that Tokumei Kumiai are designed to incur loss in its early years of operation, the Company has recognized substantial loss on such investments in proportion to its share in Tokumei Kumiai.

Investments in Tokumei Kumiai contracts are included in "Investments in equity other than capital stock" in the accompanying balance sheets. The Company accounts for income or losses under the Tokumei Kumiai contracts as "Equity in earnings of Tokumei Kumiai" in the accompanying financial statements for the period in which the accounting period of the Tokumei Kumiai ends. The accumulated losses from Tokumei Kumiai contracts aggregated ¥8,590 million ($65,029 thousand) as of March 31, 1998. These losses are classified as "Non-current accounts payable" in the accompanying balance sheets.

(12) Income Taxes

Income taxes are provided based on amounts required by the tax returns for the period. No tax effect is recorded for temporary differences between tax and financial reporting.

(13) Accrued Severance Indemnities and Pension Plan

Under the terms of the retirement plan of the Company, employees of the Company with more than two years of service are generally entitled to lump-sum payments at the time of retirement.

The amount of the retirement benefit is , in general, based on the length of service, the accumulated points of individual performance evaluation and cause of retirement.

The Company fully accrues severance indemnities that would be required if all eligible employees retired voluntarily at the balance sheet date, reduced by the estimated benefits provided by a non-contributory funded pension plan. Such liability is not funded.

The Company has a non-contributory funded pension plan to cover 90% of severance indemnities for employees who meet the following conditions. The pension plan of the Company provides for a lump-sum payment or annual payments for life after retirement to the retiring employees who have reached the age of 60(mandatory retirement age) or who have reached the age of 51, with at least 15 years of employment in the Company.

Effective March, 1994, all the retirement benefits of the domestic consolidated subsidiary have been shifted to be paid from the funded pension plan. The excess amount of the accrued severance indemnities of the subsidiary resulting therefrom has been reversed into income at the rate of 30% per annum by the declining-balance method.

The directors and statutory auditors of the Company and its domestic consolidated subsidiary (the "Domestic companies") are covered by a retirement benefit plan under which the retiring directors or statutory auditors are entitled to receive lump-sum retirement benefits. The amount of such benefits is determined based on the Domestic companies' pertinent rules. The accrued severance indemnities for the directors and statutory auditors in accompanying balance sheets represent the estimated amount to be paid if all directors and statutory auditors retired at the balance sheet dates.

(14) Bond Issue Expenses

Bond issue expenses are charged to income as incurred.

(15) Appropriation of Retained Earnings

Under the Commercial Code and the Articles of Incorporation of the Company, proposals by the Board of Directors for the appropriation of retained earnings (principally the payment of annual cash dividends) should be approved by a shareholders' meeting which must be held within three months after the end of each financial year. The appropriation of retained earnings reflected in the accompanying consolidated financial statements for each financial year represents the appropriations which were approved by the shareholders' meeting and disposed of during that year but which related to the immediately preceding financial year.

The payment of bonuses to directors and statutory auditors is made out of retained earnings instead of being charged to income for the year and constitutes a part of appropriations referred to above.

(16) Net Income and Dividend per Share

Basic net income per share is based upon the weighted average number of shares of common stock outstanding during each period, after appropriate retroactive adjustments for the stock splits made by the Company.

Diluted net income per share is based upon the weighted average number of shares of common stock outstanding during each period after consideration of the dilutive effect of the non-interest bearing convertible bond.

Cash dividends per share represent interim dividend paid and annual dividends declared as applicable to the respective years.

(17) Cash Equivalents

All deposits at banks with an original maturity date of one year or less and government and corporate bonds purchased under re-sale agreements are considered to be cash equivalents.

3. United States Dollar Amounts

The Company prepares its consolidated financial statements in Japanese yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetical results of translating yen into dollars at the rate of ¥132.10 to U.S.$1, being the effective rate of exchange at March 31, 1998. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at the rate of ¥132.10 to U.S.$1 or at any other rate.

4. Consumer Loans Receivable

Unsecured loans to individual customers, which were included in "Consumer loans receivable", were ¥902,361 million ($6,830,893 thousand) and ¥810,608 million as of March 31, 1998 and 1997, respectively.

5. Allowance for Credit Losses

Transactions affecting the "allowance for credit losses" account for the years ended March 31, 1998 and 1997 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1998	1997	1998
Balance at beginning	¥25,926	¥22,558	$196,260
Credit losses written-off against the allowance	(23,583)	(19,011)	(178,531)
Provision for uncollectible loans	28,751	22,379	217,648
Balance at end	¥31,094	¥25,926	$235,377

6. Short-term Investments and Investments in Securities

Short-term investments and investments in securities held by the Companies as of March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1998	1997	1998
Short-term investments:			
Equity securities	¥ 4,826	¥11,576	$ 36,529
Other securities	3,176	5,885	24,046
	¥ 8,002	¥17,461	$ 60,575
Investments in securities:			
Equity securities	¥ 8,116	¥ 9,826	$ 61,439
Government and corporate bonds	2,138	2,088	16,183
	¥10,254	¥11,914	$ 77,622

Book value and market value information on short-term investments and investments in securities held by the Companies as of March 31, 1998 was summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Book value per balance sheet	Market value	Unrealized gain	Book value per balance sheet	Market value	Unrealized gain
Short-term investments:						
Equity securities	¥ 4,826	¥ 9,866	¥ 5,040	$36,529	$ 74,673	$38,144
Other securities	200	201	1	1,514	1,520	6
	5,026	10,067	5,041	38,043	76,193	38,150
Investments in securities:						
Equity securities	7,267	12,526	5,259	55,013	94,819	39,806
	7,267	12,526	5,259	55,013	94,819	39,806
	¥12,293	¥22,593	¥10,300	$93,056	$171,012	$77,956

Book values of securities which were excluded from the above disclosure of book value and market value information on short-term investments and investments in securities held by the Companies as of March 31, 1998 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Short-term investments:		
Other securities	¥2,976	$22,532
Investments in securities:		
Equity securities	849	6,426
Government and corporate bonds	2,138	16,183

The market value information on these securities is not required under Japanese GAAP.

7. Property and Equipment

Property and equipment at March 31, 1998 and 1997 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1998	1997	1998
Buildings	¥24,155	¥22,205	$182,856
Structures	4,966	4,157	37,592
Furniture, fixtures and equipment	32,372	27,795	245,057
Other	37	39	280
	61,530	54,196	465,785
Less: Accumulated depreciation	(29,662)	(25,554)	(224,543)
	31,868	28,642	241,242
Land	27,871	30,362	210,982
Construction in progress	392	—	2,971
	¥60,131	¥59,004	$455,195

8. Fixed Leasehold Deposits

Fixed leasehold deposits as at March 31, 1998 and 1997 were mainly those paid to the lessors in connection with the leases of facilities for office space. Lessors in Japan require large amounts of leasehold deposits equivalent to several months' lease rental payments. Such leasehold deposits do not bear interest and are generally returnable only when the lease is terminated.

9. Short-term Borrowings and Long-term Debt

Information on the amount of short-term borrowings outstanding at March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1998	1997	1998
Short-term bank loans*			
Secured	¥16,703	¥17,068	$126,444
Entered into the forward contract of assigning consumer loans receivable	27,800	34,900	210,447
Unsecured	12,063	7,358	91,317
	56,566	59,326	428,208
Commercial paper	26,739	—	202,414
	¥83,305	¥59,326	$630,622
Notes*:			
Maximum month-end balance outstanding during the period	¥68,624	¥61,003	$519,483
Average month-end balance outstanding during the period	63,812	58,556	483,057
Weighted average interest rate for the period	2.111%	1.724%	2.111%

Shot-term bank loans outstanding at March 31, 1998 and 1997 were represented mainly by overdrafts with banks bearing interest at annual rates ranging from 1.063% to 12.125%, and from 1.011% to 6.450%, respectively.

The principal ranges of annual interest rates applicable to commercial paper at March 31, 1998 were from 1.500% to 2.112%.

Long-term debt outstanding at March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1998	1997	1998
Loans, principally from banks and other financial institutions with interest rates indicated below*1:			
Secured	¥225,331	¥209,371	$1,705,758
Entered into the forward contract of assigning consumer loans receivable	339,436	309,951	2,569,537
Unsecured	176,178	153,943	1,333,679
	740,945	673,265	5,608,974
Uncollateralized zero coupon convertible yen bonds, due 2000*2	8,931	10,000	67,605
2.100% per annum uncollateralized yen bonds, due 2002	10,000	10,000	75,700
2.600% per annum uncollateralized yen bonds, due 2002	10,000	—	75,700
2.000% per annum uncollateralized yen bonds, due 2002	10,000	—	75,700
Less: portion due within one year	(211,210)	(192,715)	(1,598,864)
	¥568,666	¥500,550	$4,304,815
Weighted average interest rate for the period	2.871%	3.188%	2.871%

Notes:

*1 Annual interest rates on loans from banks and other financial institutions outstanding as of March 31, 1998 and 1997 ranged from 1.253% to 8.920% and from 1.925% to 7.350%, respectively.

*2 The uncollateralized convertible yen bonds in the initial principal amount of ¥10,000 million due March 31, 2000 were issued on February 22, 1996, and are convertible into common stock of the Company. The current conversion price is ¥4,566.40 per share.

The Companies' assets pledged as collateral for short-term bank loans and long-term loans with banks and other financial institutions at March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1998	1997	1998
Notes and accounts receivable	¥ 26,387	¥ 16,173	$ 199,751
Consumer loans receivable*	232,017	228,065	1,756,375
Investments in securities	312	325	2,360
	¥258,716	¥244,563	$1,958,486

Note:
* In addition to the above assets pledged, the Companies entered into the forward contract of assigning consumer loans receivable. The contract amounts were ¥382,311 million ($2,894,103 thousand) and ¥354,466 million as of March 31, 1998 and 1997, respectively.

The aggregate annual maturities of long-term debt, excluding the above bonds, outstanding at March 31, 1998 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31,		
1999	¥211,210	$1,598,864
2000	227,231	1,720,145
2001	165,992	1,256,565
2002	98,450	745,269
2003 and thereafter	38,062	288,131
	¥740,945	$5,608,974

10. Pension Plans

The accumulated balances of fund assets of the funded pension plans of the Company aggregated ¥4,594 million ($34,779 thousand), as of March 31, 1998, which is the date of the most recent actuarial valuation.

The accumulated balances of fund assets of the funded pension plans of the domestic consolidated subsidiary aggregated ¥100 million ($756 thousand), as of August 31, 1997, which is the date of the most recent actuarial valuation.

The past service costs for these pension plans are being amortized at the rate of 30% per annum by the declining-balance method.

11. Lease Commitments

(1) Rental, depreciation and interest expense relating to financing leases, which do not transfer ownership of the leased properties to the lessee during the terms of the leases, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1998	1997	1998
Rental expense	¥2,387	¥2,407	$18,072

The aggregate future lease payments as of March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1998	1997	1998
Due within one year	¥ 2,198	¥ 2,181*	$ 16,636
Due after one year	1,942	3,956*	14,698
	¥ 4,140	¥ 6,137*	$ 31,334

Note:
* These amounts were not examined by the auditors of the Company, because the information relating to these amounts had not been required to be disclosed under Japanese GAAP.

(2) The aggregate future lease payments under ordinary operating leases as of March 31,1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1998	1997	1998
Due within one year	¥ 113	—	$ 854
Due after one year	150	—	1,138
	¥ 263	—	$ 1,992

12. Contingent Liabilities

As of March 31, 1998, the Company was contingently liable as a guarantor of loans primarily to unconsolidated subsidiaries from banks and financial institutions in the aggregate amount of ¥1,687 million ($12,771 thousand).In addition, the Company has guaranteed up to ¥1,000 million ($7,570 thousand) for the forward contract of assigning consumer loans receivable of ¥1,050 million ($7,949 thousand) as collateral.

13. Shareholders' Equity

Under the Commercial Code, at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital.

On November 20,1997, the Company made stock splits to shareholders of record as of September 30, 1997of 9,860 thousand shares in the ratio of 1.10 shares for each one share held.

The Commercial Code provides that an amount equal to at least 10% of cash dividends and other appropriations of retained earnings paid out with respect to each financial period be set aside in a legal reserve until such reserve equals 25% of the amount of common stock. This reserve may be transferred to common stock by a resolution of the Board of Directors or used to reduce a deficit with the approval of a shareholders' meeting but is not available for dividend payments.

14. Other Operating Income

As described in Note2(4), the collected amounts are included in "Other operating income" in the accompanying statements of income in the year of recovery, when the previously written-off balances of consumer loans and the related interest are subsequently recovered and collected.

These collected amounts for years ended March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1998	1997	1998
Collected amounts	¥4,660	¥4,450	$35,273

15. Financial Expenses

Interest expense, which was included in "Financial expenses" in the accompanying consolidated statements of income, for the years ended March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1998	1997	1998
Interest expense	¥22,949	¥24,155	$173,726

16. General and Administrative Expenses

General and administrative expenses in the accompanying consolidated statements of income, for the years ended March 31, 1998 and 1997 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1998	1997	1998
Advertisements	¥13,273	¥12,761	$100,478
Employees' salary and bonuses	21,595	20,747	163,472
Rent expenses	11,475	9,752	86,866
Other	48,861	42,310	369,878
	¥95,204	¥85,570	$720,694

17. Income Taxes

The Company and its domestic consolidated subsidiary are subject to a number of different taxes based on income, which in the aggregate indicate a normal effective statutory income tax rate of approximately 51% for the years ended March 31, 1998 and 1997.

However, the income tax expenses shown in the accompanying consolidated statements of income differ from the amounts computed by applying the above-mentioned statutory tax rates to "Income before income taxes". The principal reasons for such differences are that no tax effects have been recognized on certain temporary differences between financial accounting and tax reporting purposes. The main elements of such temporary differences are allowances for credit losses provided for accounting purposes in excess of the limit established by the tax laws and accrued enterprise tax which is not deductible until paid.

Although enterprise taxes are normally presented as part of selling, general and administrative expenses in the financial statements prepared in conformity with the accounting practices in Japan, the reclassification has been made to present income taxes in their entirety in the accompanying consolidated financial statements.

18. Segment Information by Business Activities

The Companies' operations by business segment were as follows:

	Millions of Yen				
	Consumer finance business	Other business	Total	Adjustments and eliminations	Consolidated
Year ended March 31, 1998					
Operating income from:					
Outside customers	¥ 232,418	¥20,668	¥ 253,086	¥ —	¥ 253,086
Intersegment	—	219	219	(219)	—
Total	232,418	20,887	253,305	(219)	253,086
Operating expenses	134,617	20,554	155,171	9,521	164,692
Operating profit	¥ 97,801	¥ 333	¥ 98,134	¥ (9,740)	¥ 88,394
Assets	¥1,117,972	¥44,405	¥1,162,377	¥38,698	¥1,201,075
Depreciation expenses	6,212	387	6,599	180	6,779
Capital expenditure	10,080	562	10,642	260	10,902
Year ended March 31, 1997					
Operating income from:					
Outside customers	¥208,487	¥16,522	¥ 225,009	¥ —	¥ 225,009
Intersegment	—	225	225	(225)	—
Total	208,487	16,747	225,234	(225)	225,009
Operating expenses	122,577	16,402	138,979	7,207	146,186
Operating profit	¥ 85,910	¥ 345	¥ 86,255	¥ (7,432)	¥ 78,823
Assets	¥976,573	¥44,852	¥1,021,425	¥38,448	¥1,059,873
Depreciation expenses	4,539	410	4,949	160	5,109
Capital expenditure	11,144	882	12,026	185	12,211

	Thousands of U.S. Dollars				
	Consumer finance business	Other business	Total	Adjustments and eliminations	Consolidated
Year ended March 31, 1998					
Operating income from:					
Outside customers	$1,759,412	$156,454	$1,915,866	$ —	$1,915,866
Intersegment	—	1,656	1,656	(1,656)	—
Total	1,759,412	158,110	1,917,522	(1,656)	1,915,866
Operating expenses	1,019,051	155,596	1,174,647	72,072	1,246,719
Operating profit	$ 740,361	$ 2,514	$ 742,875	$ (73,728)	$ 669,147
Assets	$8,463,074	$336,146	$8,799,220	$292,946	$9,092,166
Depreciation expenses	47,027	2,928	49,955	1,363	51,318
Capital expenditure	76,305	4,258	80,563	1,965	82,528

Unallocated corporate expenses and assets, which were included in "Adjustments and eliminations" for the years ended March 31, 1998 and 1997 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1998	1997	1998
Corporate expenses	¥ 9,740	¥ 7,432	$ 73,728
Corporate assets	38,884	38,628	294,353

19. Subsequent Events

At the general shareholders' meeting of the Company held on June 26, 1998, the appropriation of unappropriated retained earnings was duly approved as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at March 31, 1998	¥228,544	$1,730,084
Appropriation:		
Legal reserve	(134)	(1,012)
Cash dividends, ¥33 ($0.25) per share	(3,584)	(27,133)
Transfer to voluntary reserve	(30,500)	(230,886)
Directors' and statutory auditors' bonuses	(171)	(1,296)
	¥194,155	$1,469,757

Report of the Independent Certified Public Accountants on the Consolidated Financial Statements of the Company

To the Board of Directors of
Promise Co., Ltd.

We have audited the consolidated balance sheets of Promise Co., Ltd. and its consolidated subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides 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 Promise Co., Ltd. and its consolidated subsidiaries as of March 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

Chuo Audit Corporation

Chuo Audit Corporation

Osaka, Japan
June 26, 1998

Regulatory Environment in the Consumer Finance Industry

The legal and regulatory framework for the consumer finance industry is primarily dictated by two laws: the Acceptance of Contributions, Money Deposits and Interest Law (the “Contributions Law”) and the Moneylending Law.

Contributions Law

The main regulation of the Contributions Law sets the maximum interest rate chargeable at 40.004 percent. Amended in 1983, the law has reduced the maximum interest rate stepwise from 109.5 percent to the 40.004 percent. The current rate was implemented as of November 1991. Promise’s maximum interest rate is currently set at 25.55 percent.

The Moneylending Law

The Moneylending Law is a comprehensive regulatory statute governing consumer finance companies. The law sets out the registration authorities for offices and necessitates the formation of local and national associations to provide self-regulatory functions. In addition, the law requires that borrowers be provided with a written copy of the terms and conditions of the loan prior to making the loan and are entitled to receive a written receipt for each payment of principal or interest. Promise is registered under the Moneylending Law and regulated by the Ministry of Finance (MOF).

Other Related Laws

Among other related laws, the Interest Rate Restriction Law (IRRL) imposes interest rate ceilings on loans from 15 percent to 20 percent per annum, which are lower than the current interest rates charged by Promise. The purpose of the IRRL is to provide consumers with protection against extortive interest claims by making such claims legally unenforceable. Under the IRRL and the Moneylending Law, however, any voluntary excess payment of interest by a borrower to a registered moneylender is deemed to be a valid payment of interest provided that the borrower has received the required documentation from the moneylender. In the Company’s experience, the IRRL has not hampered its loan operations because most borrowers voluntarily pay interest in excess of the IRRL ceiling. There have been cases, however, in which defaulting borrowers have refuse to pay excess interest, forcing the Company to negotiate a settlement. These cases have not resulted in any significant financial damage.

Industry Rules and Regulations

Other industry rules and regulations ensure sound consumer finance operations, preventing excessive lending, requiring disclosure of loan conditions, controlling advertising and publicity, and regulating methods of debt collection. Furthermore, the MOF and prefectural governments monitor consumer finance companies and are empowered to suspend operations or revoke companies’ registration if necessary. An MOF guideline stipulates that the maximum amount of loans extendable to new customers under preliminary credit investigation is either ¥500,000 or up to 10 percent of the borrower’s annual income.

Promise complies with all of the important regulations for its industry as well as cooperating with the authorities that monitor its operations.

Industry Data

Consumer Loans Outstanding in the Consumer Finance Company Sector *(March 31, 1998)*

Company Name	¥ Billions	Company Name	¥ Billions
Promise	¥ 866.6	Lake	¥529.5
Takefuji	1,188.6	Aic	327.1*
Acom	1,083.2	Sanyo Shinpan	213.7
Aiful	702.4		

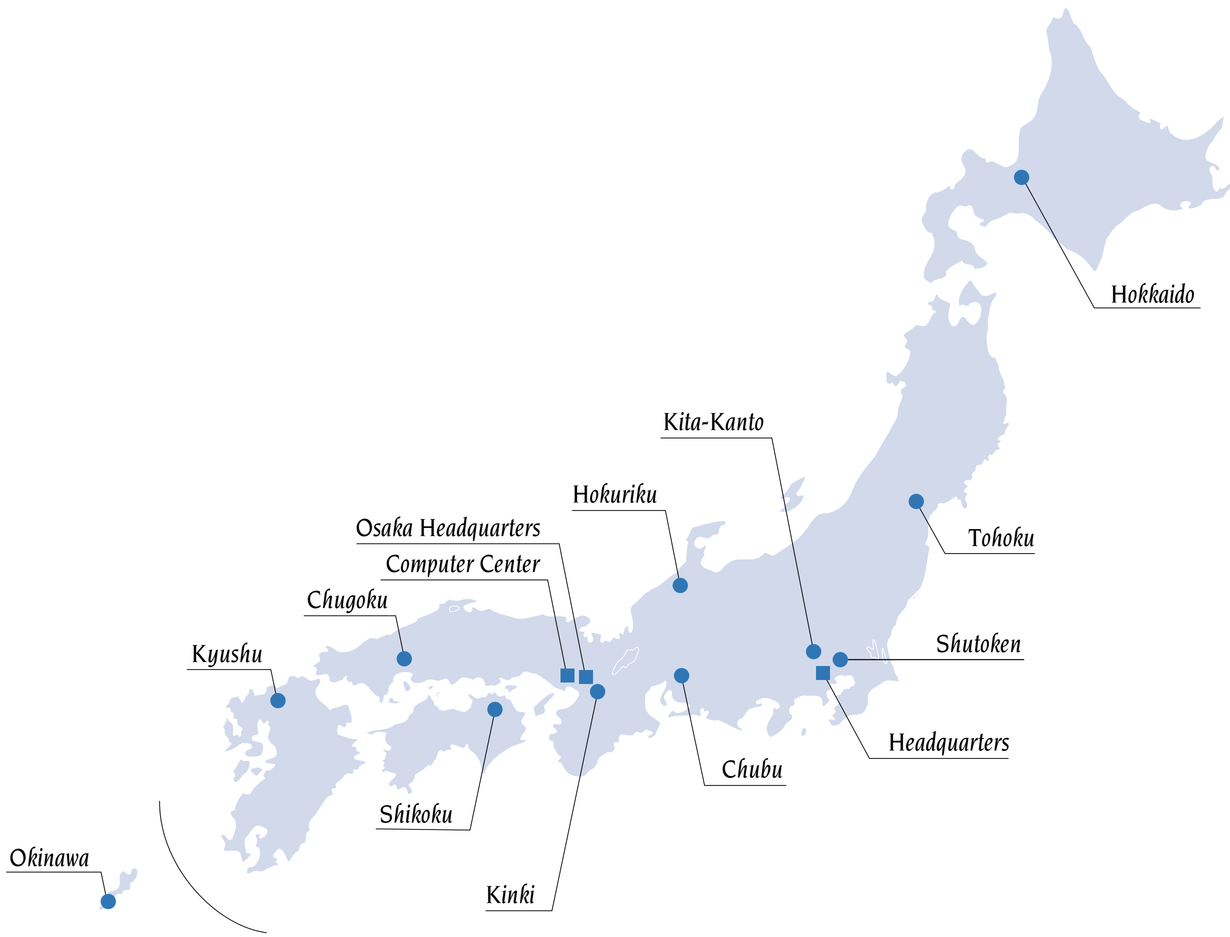
*Dec. 31, 1997
Source: Individual companies' securities reports

Maximum Interest Rates on Unsecured Loans in Competing Sectors

Type of Company / Company Name	Annual Interest Rate (%)	Type of Company / Company Name	Annual Interest Rate (%)
Consumer finance companies		Distributor-affiliated credit card companies	
Promise	25.550	Aeon Credit Service	25.600
Takefuji	27.375	Daiei OMC	28.800
Acom	27.375	Credit Saison	29.600
Sanyo Shinpan	29.000		
Aiful	29.200	Bank-affiliated credit card companies	
Lake	29.200	JCB	27.800
Shinpan (Sales finance companies)		DC Card	27.800
Jaccs	18.000	UC Card	27.800
Nippon Shinpan	27.600		
Orient Corporation	28.800		
Aplus	29.160		
Central Finance	30.000		
Life	36.000		

Source: Institute for Financial Affairs, Inc., *The Consumer Credit Monthly* (August 1998 issue).
Note: The interest rates for consumer finance companies are the maximum interest rates on unsecured consumer loans. All other interest rates are the interest rates on single-repayment cash advances.

Directory
(as of July 31, 1998)



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1-2-2, Umeda, Kita-ku
Osaka 530-0001, Japan

■ Computer Center
3-14-24, Fukushima, Fukushima-ku
Osaka 553-0003, Japan

● Regional Headquarters (11)
Hokkaido, Tohoku
Kita-Kanto, Shutoken
Chubu, Hokuriku
Kinki, Chugoku
Shikoku, Kyushu
Okinawa

Branches (1,053)
For unsecured loans: 1,041
For secured loans: 2
For audio & video software rental: 7
For outdoor & leisure goods: 3

Investor Information

(as of March 31, 1998)

Date of Establishment

March 20, 1962

Fiscal Year

April 1 to March 31

Auditor

Chuo Audit Corporation

Number of Employees

3,574

Paid-in Capital*

¥13,557 million

Common Stock*

Authorized: 300,000,000 shares

Issued: 108,615,061 shares

Number of Shareholders

4,407

Listing

First Section of the Tokyo Stock Exchange

Transfer Agent

The Sumitomo Trust and Banking
Company, Limited
4-5-33, Kitahama, Chuo-ku
Osaka 541-0041, Japan

Note: In June 1998,the Company increased its paid-in capital through the issue of a total of 11,000,000 common shares overseas and domestically. As a result, paid-in capital expanded to ¥44,445 million while the number of issued common shares rose to 119,615,061 shares.

Principal Shareholders

Name	Number of Shares Held (thousands)	Percentage of Total Shares in Issue (%)
Hideki Jinnai	19,388	17.85
Ryoichi Jinnai	16,897	15.56
Tsuyako Jinnai	5,983	5.51
Nippon Life Insurance Company, Limited	5,931	5.46
The Sumitomo Trust and Banking Company, Limited	5,453	5.02
The Long-Term Credit Bank of Japan, Limited	5,405	4.98
Sumitomo Life Insurance Company	3,690	3.40
State Street Bank and Trust Company	2,305	2.12
Sanyo Shinpan Finance Co., Ltd.	1,606	1.48
Nippon kokusai kyoryoku Zaidan	1,550	1.43

Change in Issued Share Capital

Date	Type of Issue
July 1988:	Paid-in capital allotment to third party (1,500,000 shares, ¥1,600)
March 1990:	Free share distribution (1→0.15)
	Paid-in capital allotment to third party (4,000,000 shares, ¥2,000)
May 1992:	Stock split (1:1.15)
Sep. 1993:	Paid-in capital allotment by public offering (2,700,00 shares, ¥6,900)
May 1994:	Stock split (1:1.25)
May 1995:	Stock split (1:1.20)
Nov. 1997:	Stock split (1:1.10)
April 1, 1997 to March 31, 1998	Conversion of convertible bonds (226,733 shares)

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