



PROMISE

Annual Report 1999

Year ended March 31, 1999

PROMISE CO., LTD.

Long-term Vision for the 21st Century Becoming a Personal Main Bank

Introducing New Visual Identity

Increasing brand name recognition

Operating Strategies

(See Pages 6-9)

Strategy 1: **Marketing**

- Expanding sales channels
- Improving customer convenience

(See Pages 10-13)

Strategy 2: **Credit Risk and Cost Management**

- Speedy and strict credit evaluation
- Low-cost management

(See Pages 14-17)

Strategy 3: **Financing**

- Strengthening financial structure

Personal Promise

- Become a consumer loan company that customers will treat us as their main bank.

Partner Promise

- We try to be good partners with our customers as well as with our fellow employees.

Operating Policies

- We will specialize in the consumer loan field, pursuing greater convenience for our customers and more product and service reliability.

Business Field

- Accurately grasp and respond to changes in the business environment and in customers' needs.

- Take all possible actions to prevent consumers from accumulating multiple debts with different creditors.

Basic Business Concepts

Profile

Promise is the third largest consumer finance company in Japan with over 2.2 million customers and ¥976,614 million (\$8.1 billion) in loans outstanding as of the end of fiscal 1999. The Company's core business is providing individuals with unsecured and unguaranteed loans, the majority of which are limited to ¥500,000. Promise's loan services feature quick and convenient access to funds for those who meet the Company's stringent credit standards coupled with the lowest interest rates in the consumer finance industry.

During the fiscal year under review, Promise unveiled its long-term vision for the 21st century, which aims to position the Company as the "Personal Main Bank" of its customers. In achieving this goal, Promise intends to concentrate on its strengths, specializing in consumer finance rather than diversifying into other fields. The Company will reinforce its roots in the consumer finance industry by getting closer to customers through offering a greater variety of products and services. Our business slogan, "Personal Promise," and our action slogan, "Partner Promise" indicate our desire to change the relationship with customers from that of lender and borrower to a counselor for individuals wanting to make the best use of their financial resources.

In addition to improving the speed and convenience of its services, Promise will seek to assist consumers in avoiding the accumulation of excessive debt by revolutionizing its products, services, and systems to provide consumers with a greater degree of protection from credit abuse as well as more fully meeting their financial needs.

Our fiscal 2000 goals cover greater specialization in the consumer finance market combined with well-balanced management. The related business actions are covered in detail elsewhere in this annual report.

The phrase "fiscal year" used in this annual report indicates Promise's fiscal term, which covers the one-year period from April to March of the following year. Fiscal 1999, therefore, means the fiscal year from April 1, 1998 to March 31, 1999.

Contents

Performance Highlights	2
A Message from the Management	3
Operating Strategies	6
Other Business	17
Subsidiaries and Affiliates	18
Management Discussion and Analysis ..	20
Directors and Corporate Auditors	24
Financial Section	25
Five-Year Summary	55
Regulatory Environment in the Consumer Finance Industry.....	56
Industry Data	57
Stock Information.....	58
Corporate Information	59
Offices	59



PROMISE

On the Cover

The design motif of our new corporate mark integrates the images of a reliable and powerful lion and a warm sun, symbolizing our desire to become a dependable and caring financial partner. Suggesting the eyes and nose of a lion, the two Ps stand for several of our corporate slogans, including Personal Main Bank Promise, Personal Promise, and Partner Promise that represent our 21st century vision's business strategies. The lively and warm golden yellow stands out clearly against the contrasting black background, providing strong visual impact. We crop the upper part of the corporate mark on our signs to add dynamism, indicating Promise is a force in motion. The dramatic change from the red and blue of our previous corporate mark underscores the radical changes we are undertaking as a company.

Performance Highlights

Loans

The balance of the Company's core business, unsecured loans outstanding, advanced 12.8 percent, to ¥967,880 million. The principal factor behind this growth was an increase in the number of loan accounts, which expanded 4.9 percent, to 2,240,000. The average balance per account edged up to ¥432,000 from ¥401,000. Reflecting the deteriorating economic climate, the write-off ratio for unsecured loans climbed to 2.81 percent from 2.47 percent.

Sales and Service Networks

Promise's sales network expanded significantly, remaining one of the largest in the industry. The Company added 198 branches to raise the total number of branches (including secured loan branches) to 1,203, up 19.7%. The number of automated credit providers increased 19.1 percent to 1,164 units. Promise's service network also expanded. The Company's own network of ATMs grew 13.2 percent to 1,511 units, while its tie-up network of ATMs and CDs jumped 27.1 percent to 19,964 machines. A tie-up with a leading convenience store chain provided a new, convenient loan payment route for customers.

Financing

Following its first international share offering in June 1998, Promise continued to diversify its sources of capital during the fiscal year under review. In December 1998, the Company made its first domestic unsecured bond issue aimed at individual investors, raising ¥10 billion. During the same month, Promise signed a commitment line agreement with a syndicate of seven foreign banks providing the Company with a credit facility totaling ¥15 billion. Promise also took measures to minimize any possible impact from the nationalization of one of its main banks, the Long-term Credit Bank of Japan, Ltd.

Non-Consolidated Financial Highlights

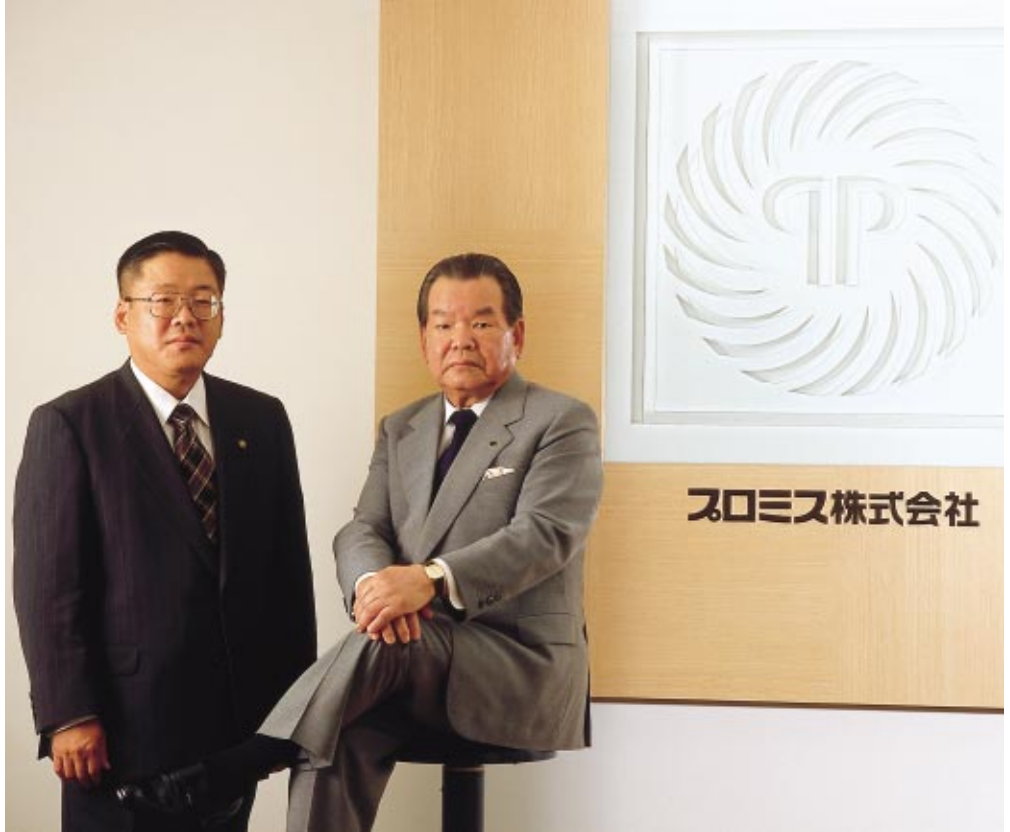
Promise Co., Ltd.
Years ended March 31

	Millions of Yen		Thousands of	Percent
	1999	1998	U.S. Dollars**	Change
			1999	1999/1998
Total operating income	¥238,323	¥220,330	\$1,976,966	+8.2
Operating profit	84,714	86,140	702,731	-1.7
Net income	40,175	38,668	333,268	+3.9
Net income per share* (Yen)	342.69	356.78	2.84	-4.1
Cash dividends per share (Yen)	65.0	63.0	0.54	+3.2
Consumer loans outstanding	976,614	866,634	8,101,319	+12.7
Total assets	1,248,421	1,111,885	10,356,050	+12.3
Interest-bearing Debt	834,048	792,473	6,918,690	+5.2
Total shareholders' equity	359,314	265,016	2,980,618	+35.6
Net cash provided by operating activities	87,165	72,012	723,063	+21.0

* Net income per share has been calculated based on United States generally accepted accounting principles, APB 15.

** U.S. dollar amounts represent translations of yen, for convenience only, at the rate of ¥120.55 to U.S.\$1, the approximate exchange rate at March 31, 1999.

A Message from the Management



Ryoichi Jinnai, Chairman (right) and Hiroki Jinnai, President

By further specializing in its core consumer loan business, Promise is developing a new financial services business by pursuing greater customer convenience and more financially sound products and services.

In December 1998, the Company unveiled its new long-term vision, Promise Vision, which defines our business direction as we head into the 21st century as well as reaffirming our desire to retain the trust of our customers and maintain growth.

Promise Vision is based on two fundamental concepts.

1. Since its founding, the Company has been successful by accurately grasping and responding to changes in the business environment and in customer demand. This characteristic will not—and cannot—change.
2. As professionals, we must address the major issue facing consumer loan specialists, the accumulation by individuals of excessive debt from multiple creditors.

We have announced that based on these two basic concepts, we will be taking several actions through our Promise Vision to convert the Company into the Personal Main Bank of its customers.

First, we believe that, in terms of our fundamental corporate identity, it is important for Promise to specialize in its core business of consumer loans. Rather than

diversify into a new business where our business know-how cannot be utilized, it is more to our advantage to specialize in the business we know the best, and concentrate our business resources in this area.

Next, we think it necessary to broaden our roots in the consumer loan business. We will achieve this by improving products and services in terms of the needs of our customers and the times. We will also offer greater customer convenience and product and service reliability. You could also say that instead of diversifying into new businesses, we are diversifying our consumer loan operations so that we can offer our customers new products and services that they can use in complete confidence, anytime, anywhere.

Finally, we have become convinced that becoming an entity for individuals similar to the main bank of corporations is the path we must follow. By progressing from specialization to broadening our roots in our business, we intend to change the relationship with our customers from that of lender and borrower to a provider of counseling and support services for individuals wanting to make the best use of their financial resources. Our ultimate goal is to transform ourselves into company that can maintain its business relationship with customers over the long term.

To assist us in becoming a Personal Main Bank, we have created two policies. Personal Promise represents our business policy toward customers and Partner Promise represents our action policy.

Personal Promise suggests the scope and direction our business is taking in becoming a consumer loan company that customers will treat us as their main bank. Partner Promise indicates that each and everyone of our employees should be a good partner of and advisor to our customers and work well together in partnership.

To achieve the above objectives, we will be pursuing three development themes: product reform to develop creative products, information reform to be able to provide customers with necessary information quickly, and transaction reform to conform to such new technologies as debit cards and electronic money.

As one component of our information reforms, we are introducing a Navigator System within the Company. The role of the Navigator System is to utilize information on customers' financial affairs, such as the timing and amounts of income and expenditures, to provide individual customers with the most appropriate loan and repayment schedules.





In January 1999, we introduced a new visual identity (VI) that was announced loudly and extensively throughout the Company and the media. The new VI symbolizes our drive to reform our products, information systems, and transaction methods to achieve the goals of Promise Vision.

To deal with the current upheaval in our business environment, the first thing we are doing is reinforcing our operating base and strengths in the consumer loan industry with the intent of becoming the Personal Main Bank of customers. In other words, we will do our utmost to get customers to consider us their main provider of consumer loans. Taking the spirit with which the Company was founded in 1962 based on the ideal of seeking to provide the best consumer financial services to another level, we will continue our persistent pursuit of this goal.

Fiscal 1999 Performance

Fiscal 1999, ended March 31, 1999 was another year of substantial growth for Promise. Net income advanced for the seventh consecutive year, reaching a new record high.

During the period under review, we implemented various measures to make our products and services more convenient and financially sound for our customers. In addition, we worked to improve our sales activities and operating efficiency.

Our strong performance in fiscal 1999 was assisted by growth in consumer loans outstanding and a continued low interest rate environment as well as by the benefits of steady efforts throughout the Company to reduce costs and improve productivity. Consequently, operating income advanced 8.2%, to ¥238.3 billion while net income climbed 3.9%, to ¥40.1 billion.

In the current fiscal year, we forecast that operating income will expand 8.9%, to ¥259.6 billion, and net income will jump 29.3%, to ¥51.9 billion.

August 1999

Ryoichi Jinnai, Chairman

Hiroki Jinnai, President

As stated in its long-term business vision for the 21st century, Promise has decided to focus its resources on becoming a consumer finance specialist rather than looking to other fields for growth. In particular, the Company will increase its competitiveness in the high-profit margin unsecured loan business to maintain high profitability. The two routes Promise is taking toward this goal are expanding sales channels and improving customer convenience.

Strategy 1:

M a r k e t i n g



<i>•Expanding sales channels</i>	<i>Increasing number of unstaffed branches</i>			
<i>•Improving customer convenience (expanding cashing and payment access)</i>	<i>Enlarging ATM & CD network</i>	<i>Forging tie-up with convenience store for loan payments</i>		
<i>•Improving customer convenience (better customer services)</i>	<i>Promise JCB card issuance</i>	<i>Extending business hours at unstaffed branches</i>	<i>Upgrading functions of automated credit providers</i>	<i>Providing credit over the Internet</i>

Expanding sales channels

The first and foremost measure that we can take to increase competitiveness and profitability is sales channel expansion. Despite the considerable development of the market achieved by Promise and other consumer finance companies, there is still strong growth potential—it is by no means a mature or saturated market. It is estimated that approximately 7 to 8 million people currently use consumer loan services. However, there are approximately 30 million employees of private sector companies who earn between ¥2 million to ¥7 million annually.

Promise's share of this large pool of customers consists of a broad base of young people which increasingly narrows as customers become older. Most of our customers are between the ages of 20 years old to 40 years old, with approximately 80 percent of new customers having annual incomes between ¥2 million to ¥7 million. Consequently, our sights are set on wage earners in their 20s.

Thanks to superior credit provision and credit risk management technologies, consumer finance companies are also winning



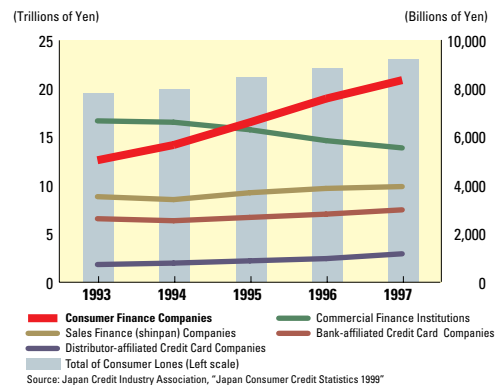
Through agreements with leading regional banks and installment finance and retail credit companies, customers may now access their accounts using a tie-up network of 19,964 ATMs and CDs in addition to Promise's network of 1,511 ATMs.

TOPICS

Promise's pioneering tie-up with Family Mart makes it substantially easier for customers to make loan payments. Family Mart stores, usually open 24-hours a day, 365 days a year, are never more than a few blocks away from home or work in major cities throughout Japan.



New Consumer Loans Supply by Type of Lender



a growing share of the existing market for consumer loans from such competitors as installment sales finance companies and banks and credit associations. Surveys over the past eight years by the Japan Credit Industry Association indicate that the consumer finance industry's share of new credit issued has risen from 15.8% in 1990 to 36.3% in 1997.

To reach even more of this pool of potential customers, our strategy was to aggressively expand our branch network, principally through the opening of unstaffed branches. At the end of fiscal 1999, out of a total of 1,201 unsecured loan branches, 766 branches or over 60% were unstaffed branches.

The advantages of unstaffed branches are clear: the initial start up costs are two thirds that of staffed branches while the running costs are half. These cost efficiencies allow us to open unstaffed branches in many locations that could not be considered previously. Using unstaffed branches, for example, we plan to expand our network in suburban areas.



Our roadside branches, which currently account for more than half our branches, meet the needs of the automotive society, and have become a fixture in customers' daily lives.

TOPICS

With the new Promise JCB credit card, customers will be able to use their cards for shopping, domestically and overseas. In addition, they will be able to withdraw cash from approximately 390,000 ATMs in JCB's overseas network. And, there are no annual membership fees.



Number of Branches and Machines

	March 31				
	1995	1996	1997	1998	1999
Unsecured loan branches	572	609	748	1,003	1,201
Staffed branches	565	579	467	418	435
Unstaffed branches	7	30	281	585	766
Secured loan branches	4	4	2	2	2
Audio & video software rental	8	8	8	7	—
Outdoor and leisure goods	—	2	2	3	4
Total	584	623	760	1,015	1,207
Number of automated credit providers	20	273	695	977	1,164
Promise's own ATMs	743	817	1,056	1,335	1,511
Tie-up ATMs and CDs	2,962	5,132	12,344	15,702	19,964

Improving the Convenience of Our Services

Convenience is an essential aspect of the consumer loan business. Quick and easy access to cashing and payment services is an important factor for people who are busy for most of the day. We have consistently expanded our network and extended business hours to improve on our services.

During fiscal 1999, we added 176 ATMs to our own network, bringing the total number of ATMs to 1,511. Moreover, we forged new ties with regional banks and installment sales finance companies, increasing the number of tie-up CDs from which customers can withdraw cash by 4,262 units to 19,964. Recently, we have been working to make loan payments easier for our customers as well. In fiscal 1999, we signed agreements with other businesses making another 779 ATMs available to our customers for fund transfers. As of the end of the fiscal year, customers could use a total of 2,360 ATMs from tie-up networks to make loan payments. Other methods of payment include bank transfers, post office registered cash envelopes, and Promise branches.

Seeking new ways to expand the payment network, we initiated another first in the industry during the fiscal year under review, signing an agency agreement with one of Japan's largest convenience store

chains, Family Mart, to allow Promise customers to make their loan payments at any of the chain's 5,280 outlets throughout Japan, on a 24-hour, 365-day-a-year basis.

In December 1998, we introduced a major new convenience for customers, announcing that Promise would begin issuing Promise JCB cards. Rather than a full-fledged entrance into the credit card business, the new tie-up with JCB is intended to increase our competitiveness in the consumer loan industry by adding a domestic and international shopping function to the current Promise Card. As of June 1999, cards are being issued by Promise's subsidiary GC Co., Ltd., which already has a tie-up with JCB.

To provide maximum access to our network, our unstaffed offices operate every day of the year, except for the New Year's holidays and 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. Our ATMs operate from 7 a.m. to midnight as long as the facility they are in remains open.

We have also upgraded the functions of our automated credit providers to allow existing customers to make changes in their loan ceilings and interest rates, execute contract renewals, and reissue cards. In addition, they can correct customer data items, such as addresses and telephone numbers, providing almost the same range of services as staffed branches.

Customers may now use the Internet to reach Promise around the clock. Through Promise's World Wide Web site, customers can currently access a range of services available from Cybershop Promise. Equipped with the most advanced security systems (128-bit SSL digital ID communications function), we plan to steadily extend the range of services offered by Cybershop Promise to include loan applications and transfers of funds to customers' bank accounts.



Promise responds to customers' enquiries on a 24-hour, 365-day basis.

TOPICS

Cybershop Promise provides 24-hour access to services through the Internet. Customers may apply for Promise Cards, run loan repayment simulations, and receive other information about the Company. It is also possible to search for the location of a branch and business hours. Eventually, customers will be able to apply for loans and specify where to transfer the funds, check their balances, and change addresses at the site (<http://www.cyber.promise.co.jp/>).



Cybershop Promise's home page.



Promise aims to have well-balanced management that combines strong credit risk and cost management with its goal of increasing revenues and profits. Speedy and strict credit evaluation and low cost management support the Company's competitiveness in the market as well as contributing to its bottom line.

Strategy 2:

C r e d i t R i s k
 a n d C o s t
 M a n a g e m e n t



•Automated credit evaluation	<i>Data base containing over 5 million records</i>	<i>Table of 1,280 credit categories</i>	<i>Credit evaluation reviews every 3 months</i>
•Consumer finance industry's credit information on individuals	<i>12.85 million records integrated by name</i>	<i>All transactions recorded</i>	<i>Data captured real time</i>
•Write-off ratio for unsecured loans	<i>1997 2.18%</i>	<i>1998 2.47%</i>	<i>1999 2.81%</i>
•Low-cost management	<i>Maximize capital efficiency</i>	<i>Centralized operations</i>	<i>Outsourcing of operations</i>

Speedy and Strict Credit Evaluation

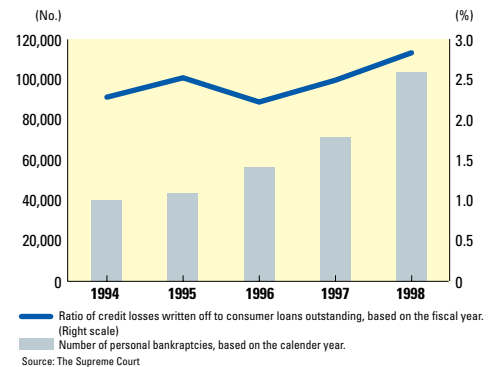
Our credit evaluation system is one of the key contributors to our success in the consumer finance business. The system is charged with the difficult task of providing credit decisions rapidly for waiting customers while minimizing the risk of credit default. Although the final decision is made by loan managers, the bulk of the work is done by a highly sophisticated automated credit evaluation system. In making its decision, the computer system mainly references a database of over five million credit records. Based on statistical analysis of these records by age, occupation, family, and other factors, the system has created a reference table indicating 1,280 different credit risk groups, each with an appropriate credit limit. The system was upgraded in June 1999. Even after credit has been granted to a customer, the credit evaluation is reviewed every three months and adjusted for any relevant changes in circumstances, such as additional loans received from other credit providers.

Of course the chief requirement for making accurate evaluations of credit worthiness is up-to-date information. This essential component is provided by the Personal Credit Information Bureau. Established by the consumer finance industry, the Bureau provides by far the most comprehensive and up-to-date credit information on individuals available in Japan. The core of the database is the collective transactions of all companies in the consumer finance industry, integrated by borrower name. Totalling over 12.85 million records, the database includes all transactions within the consumer finance industry on a real time basis. In addition, there is a system that exchanges information on loans on which payments have been missed that incorporates databases from the installment sales finance and banking industries and contains 200 million non-integrated credit records.



Our staffed branches, where staff deal face-to-face with customers, are the roots of our sales operations. We think about our loan products with our customers.

Ratio of credit losses written off to consumer loans outstanding and number of personal bankruptcies



In addition to screening by our automated credit evaluation system, we add several more restraints to ensure the quality of loans made. A credit ceiling of ¥500,000 (\$4,167 at \$1=¥120.00) is set for new customers. Applications for credit limits above this ceiling must meet additional, stricter standards. Currently, the average balance per loan account is ¥432,000. Adherence to our strict credit standards results in the rejection of slightly more than one in three credit applicants, usually because of indications of high credit risk in our databases.

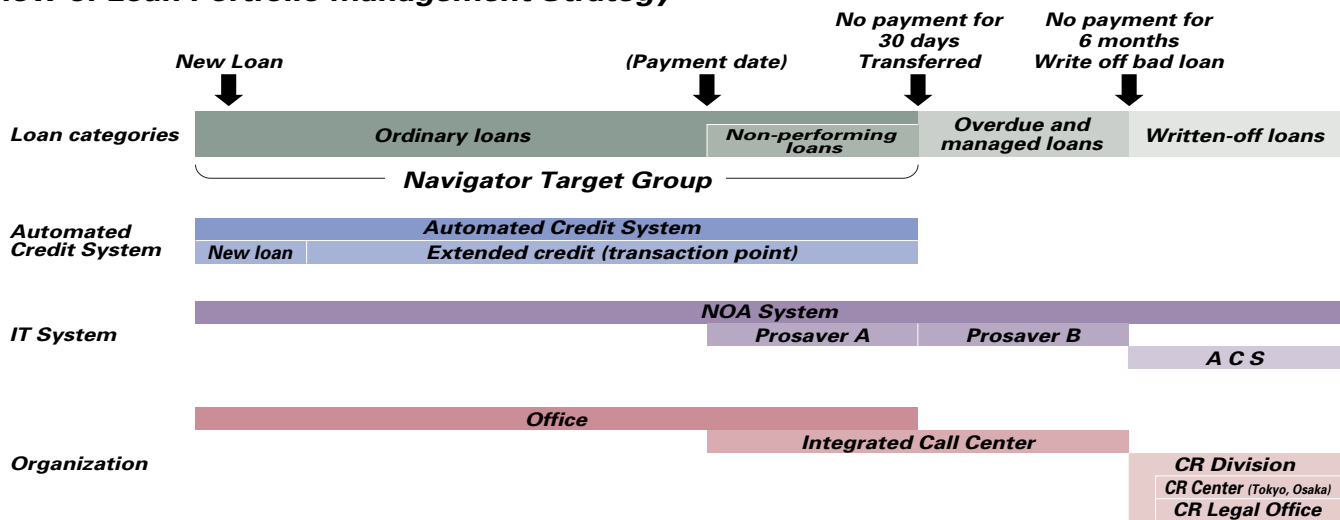
Whether an applicant is successful or not, the decision is quick and final. The entire process of application, credit approval, and issuing of a card takes approximately 30 to 40 minutes at both unstaffed and staffed branches.

Proof of the accuracy of Promise's credit risk management system lies in the rate of loan defaults. Over the past five years, Promise has kept bad debt write-offs to the two percent level. This is an enviable record considering that the rate of personal bankruptcies has risen by leaps and bounds during the same period. As of the end of fiscal 1999, our write-off ratio was 2.81 percent, up 0.34 percent from the previous year, while personal bankruptcies hit a record high of 103,803 in 1998, a 45.6 percent increase over 1997.



We explain our products and system to customers to encourage them to plan their loans carefully. We particularly emphasize explaining loan repayment schedules.

Flow of Loan Portfolio Management Strategy



Organically combining loan categories and credit and IT systems with its organization, Promise has the only systematic loan portfolio management system in the industry. Based on the type of loan, the business flow is integrated from the application for the loan to the final repayment.

Navigator System: Based on a customer's financial situation (thinking of expected income and expenses), the system suggests the most appropriate loan and repayment schedule.

Automated Credit System: By using the automated credit system, causes of risk can be avoided, allowing the formation of a quality loan portfolio.

IT system: Greater efficiency is achieved by combining our core sales system, NOA, with our loan collection system, Prosaver, and ACS.

Organization: We have achieved greater efficiency and higher collection rates by using a specialized organization that adapts to the special features of the loan being supervised.

Note: IT stands for Information Technology, CR stands for Collection & Research, NOA stands for Network Open Agility, and ACS stands for Auto Call System.

Low-cost Operations

Another way in which we assure that our management is well-balanced and not overly fixated on growth alone is strict cost control through the practice of low-cost operations. The three principal measures by which we are implementing low-cost operations are maximizing capital efficiency, centralizing unstaffed branch and loan collection operations, and outsourcing some system operations.

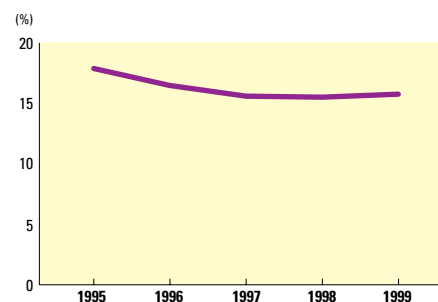
To make more efficient use of capital, we have curtailed the purchase of fixed assets that do not directly contribute to income, reducing the ratio of fixed assets to total assets to 9.2% from 12.6% over the past five years. Capital investments must meet strict performance standards. We require that new branches become profitable on a monthly basis within two years and exceed the breakeven point for total investment in four years. Branches that do not clear these hurdles are relocated or closed.

Advanced technologies now allow us to manage our unstaffed branches from



Centralization of loan management operations contributes to cost control, supporting low cost operations.

Ratio of total operating expenses to customer loans outstanding



remote locations. By concentrating these sales operations in operation centers called Integrated Call Centers, we achieve substantial cost reductions. As of the end of the fiscal year under review, approximately half our 766 unstaffed branches are managed by these operation centers. Our Integrated Call Centers also handle debt management, such as raising credit limits and reminding customers to make overdue payments, that were previously allocated to individual branches.

The combined benefits of unstaffed branches and Integrated Call Centers are clearly evident in the cost of wages (salaries and bonuses) as a proportion of outstanding loans. This ratio has dropped from 2.8 percent in fiscal 1995 to 2.1 percent in fiscal 1999.

We have also turned to outsourcing of non-essential operations to further trim our costs. As of April 1999, we have commissioned IBM Japan to handle some of the system operations of our computer center. This agreement is expected to save Promise ¥9 billion during the 10-year contract.

TOPICS

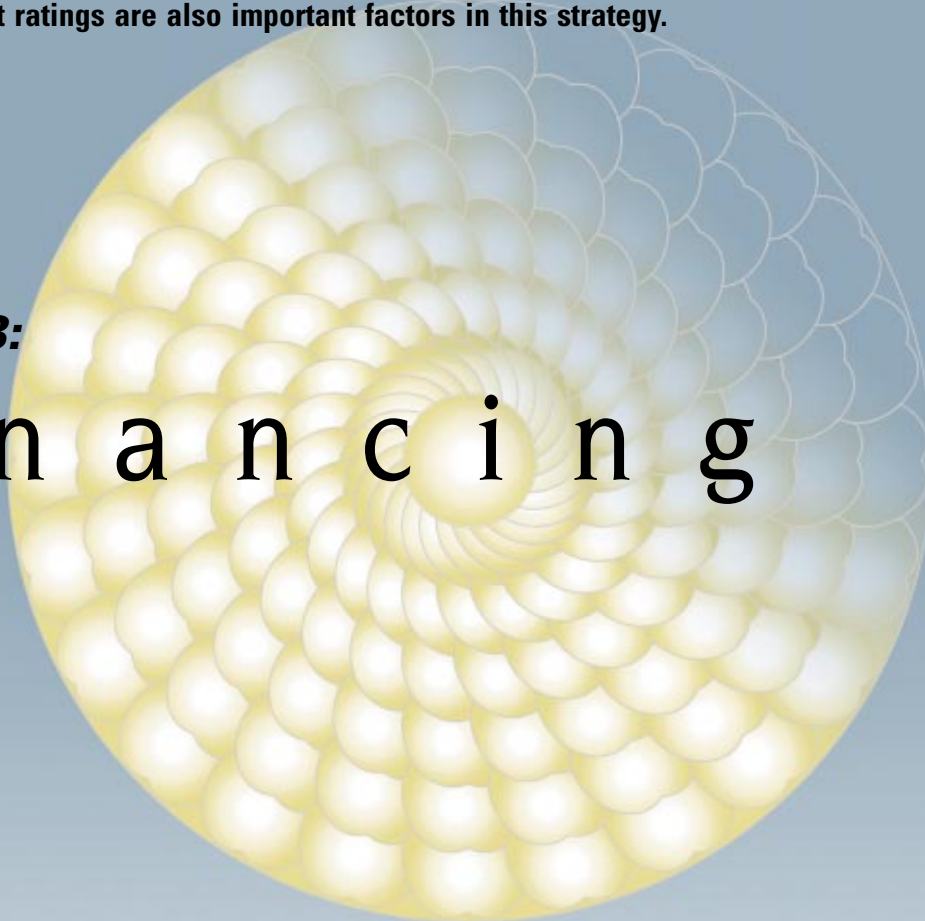
To cope with the Year 2000 issue, Promise incorporated Year 2000 modifications into the development of its next generation computer system NOA (Network/Open/Agility), which was brought on-stream in October 1998. With NOA's introduction, the Company's mission critical systems are now ready for 2000. Promise has established a Year 2000 Project Team to oversee achievement of Y2K compliance throughout the Company and its subsidiaries and affiliates, connectivity testing, and the development of a contingency plan. Preparations for the year 2000 are scheduled to be completed by September 1999. Approximately ¥1.3 billion will be spent on achieving Y2K compliance, with approximately ¥200 million being spent in fiscal 2000.



Ensuring smooth and stable financing by maintaining a solid financial structure is the last but certainly not the least of Promise's business actions for fiscal 2000 and continues to be an important issue. Financing and financing costs play a key role in determining competitiveness and profitability in the consumer finance business. The Company's goal is to structure its financing to assure a stable supply of long-term financing at the best interest rates possible. Diversifying sources of financing and maintaining high credit ratings are also important factors in this strategy.

Strategy 3:

F i n a n c i n g



(FY1995 to FY1999 Change)

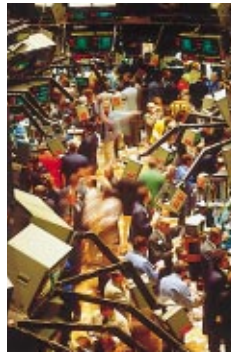
<i>Acquire stable supply of long-term financing</i>	<i>Long-term finance ratio: 94% to 97.3%</i>
<i>Increase ratio of fixed interest rate financing to guard against short-term fluctuations</i>	<i>Fixed interest rate ratio: 43.8% to 66.7%</i>
<i>Diversify sources of financing</i>	<i>Direct finance ratio: Zero to 8.3%</i>
<i>Maintain appropriate shareholders' equity ratio</i>	<i>Shareholders' equity ratio: 22.3% to 28.7%</i>

Financing

Financing our consumer loans is a major part of our business. Because of the relatively large role these funds play in our operations, managing the costs of financing is an equally important task.

To ensure the smooth operation of our business, it is desirable to have a stable, long-term supply of financing. This is particularly important given the uncertain banking environment in Japan. Accordingly, we have steadily increased long-term financing as a proportion of total financing, raising the long-term financing ratio from 94% to 97.3% over the past five years. At the same time, we have expanded the ratio of fixed interest rate financing from 43.8% to 66.7% to guard against fluctuations in short-term interest rates and to prepare for the inevitable rise in interest rates from their historical lows.

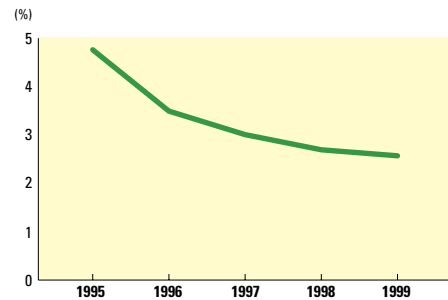
To avoid over-dependence on any particular source, we are exploring a range of new sources of financing. In June 1998, we made our first international share offering, which raised approximately ¥40,989.5 million through the issue of 7,300,000 new shares. Concurrently, a offering of 3,700,000 new shares was made domestically, raising approximately ¥20,775.5 million. In December 1998, Promise signed a commitment line agreement with a syndicate of seven foreign banks providing the Company with a credit facility totaling ¥15 billion, renewable on an annual basis for four years. We continue to look for other ways to diversify our sources.



Marketing analysis is the key to financing. We employ a systematic strategy that takes into account market conditions.



Average interest rate paid on fund procurement



Note: Figures include interest on bonds and commercial paper but not commission payments on interest rate swaps.

During the fiscal year under review, we made three domestic unsecured bond offerings, raising a total of ¥30 billion. Included among these bond offerings was our first domestic unsecured bond issue aimed at individual rather than institutional investors, which raised ¥10 billion. Through bond and commercial paper issues, we have increased the ratio of direct financing in capital markets from zero to 8.3% in five years, and intend to continue to build this figure to approximately 30%.

The task of raising direct funds has been made considerably easier by the enactment of the Nonbank Bond Issuing Law in May 1999, which allows Promise to raise capital for its loan operations through the issue of bonds and commercial paper. Consequently, the Company can now tap these markets when issuing conditions are favorable. In January 1999, Promise increased its registered limit for bond issues to ¥100 billion. In July 1999, the Company made its first straight bond issue under the new law, raising ¥10 billion.

We continue to maintain good relations with the core group of banks and insurance companies that still provide for a substantial portion of our funding needs. We foresee no substantial impact from the nationalization of one of the banks, the Long-term Credit Bank of Japan.



Stable fund procurement is one of the sources of our growth. Aiming to achieve cost and risk management, we are taking advantage of the low interest rate environment to lock in low, fixed rates on long-term funds as well as diversifying our sources.

Fund Procurement

(Millions of Yen)

	1995	1996	1997	1998	1999
Total fund procurement	573,079	641,729	706,111	792,473	834,048
Short-term fund procurement	34,546	51,731	53,000	64,800	22,800
Short-term borrowings	34,546	51,731	53,000	44,800	22,800
Commercial paper	—	—	—	20,000	—
Long-term fund procurement	538,532	589,997	653,111	727,673	811,248
Long-term borrowings	538,532	579,997	633,111	688,742	742,317
Ration of long-term fund procurement to total fund procurement (%)	94.0	91.9	92.5	91.8	97.3
Fixed interest rate	100,818	224,092	349,594	438,826	474,206
Variable interest rate	437,714	355,905	283,516	249,916	268,111
of which interest rate swaps	150,000	100,000	45,000	—	12,840
Straight bonds	—	—	10,000	30,000	60,000
Convertible bonds	—	10,000	10,000	8,930	8,930
Actual fixed ratio(%)	43.8	52.1	58.7	60.3	66.7

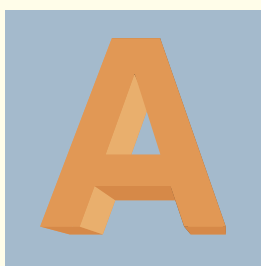
Note: Actual fixed ratio = (long-term borrowings at fixed interest rates + long-term borrowings with interest rate swaps + straight bonds + convertible bonds) ÷ total fund procurement

■ The company procures long-term borrowings at fixed interest rates, taking into account market interest rates. At March 31, 1999, the Company's actual fixed ratio stood at 66.7%, including corporate bonds.

Our efforts in managing our financing are perhaps best summed up by our average interest rate paid on fund procurement (financial expense over average fund procurement). In fiscal 1999, our average inter-

TOPICS

Promise's current financial strength is reflected in high credit ratings of A for long-term debt and a-1 for commercial paper (R&I). The significance of these rating is best illustrated by considering that, in current markets, an A rating permits Promise to raise funds at less than the long-term prime rate. High ratings, therefore, lead to stable, low funding costs, which in turn contribute to competitiveness within the industry. In addition, superior credit ratings allow Promise to take advantage of a wide-range of financing opportunities in capital markets and to structure its debt accordingly.



Stable financing and a strong perception of the market in adapting to circumstances—we plan to make timely financings with an eye to market move movement.

est rate paid on fund procurement declined to 2.55 percent from 2.68 percent in the previous year, remaining one of the lowest rates among major consumer loan companies.

Managing credit ratings has become an important task for Promise as it seeks to tap a broader range of capital markets directly. Our long-term debt and commercial paper are currently rated A and a-1 by a domestic rating agency, Japan Rating and Investment Information (R&I), Inc. These ratings provide us with strong advantages in capital markets. We are maintaining a strong financial structure to protect these ratings and perhaps improve on them. Our shareholders' equity ratio is one example of these efforts. Over the past five years, we have steadily increased our shareholders' equity ratio from 22.3% to 28.7%. We believe that aiming for a suitably high shareholders' equity ratio also provides a good check and balance effect on our financing activities.

Other Business

Reflecting our decision to specialize in the consumer finance business, we moved out of several business activities during fiscal 1999. We closed "It's Time Win," a chain of audiovideo software rental and sales outlets that the Company had operated since 1990. We also transferred our software sales business (sales of ProSaver), to a subsidiary, System Trinity Co., Ltd. ProSaver, an integrated delinquent debt management software package that formed the core of our software business, has established a strong market reputation and should continue to be successful under the subsidiary's management.

We continue to operate our "Club Sol" outdoor leisure business, which successfully caters to a customer base that resembles



*Club Sol outlet.
Climbing wall set up inside outlet.*

the major group of customers of our consumer loan business. Club Sol sells camping, trekking, and fishing equipment; outdoor wear; snow-boards; and other goods. Camping trailers and equipment are available on a rental basis. Promise decided to enter this business in 1994 after recognizing that the growing popularity of recreational vehicles among young people was leading to an outdoor life and camping boom.

Promise also owns and manages 8 commercial buildings for lease in major cities throughout Japan. Because of the prime locations of these buildings, occupancy rates are high, providing a stable source of revenues.

Subsidiaries and affiliates

The Promise Group consists of 13 subsidiaries and four affiliates in Japan and overseas. Their businesses range from consumer finance-related operations to investment in high growth-potential fields.

Domestically, eight group companies carry out operations related to installment sales and financial and information services. Many of the services provided by these companies support the overall business operations of the parent company.

GC Co., Ltd., for example, is a credit card company that also offers convenient cashing services through a national tie-up network of approximately 21,000 CDs.



GC Co., Ltd., a rapidly growing sales installment finance company.

Overseas, through an agreement with JCB, GC Card holders have access to cashing services through a network of approximately 390,000 ATMs. In one of the highlights of the fiscal year under review, GC signed an agreement with parent company Promise to issue and manage Promise JCB credit cards. Promise will manage the domestic cashing transactions while GC will be responsible for the overseas cashing and worldwide shopping transactions.

One of the focuses of our overseas operations is to learn how to globalize our operations. Based on the experience and knowledge gained from these early

Domestic Subsidiaries and Affiliates

Company Name	Address	Ownership (%)	Principal Business
GC Co., Ltd.*	2-4-1, Nishi-Shinjuku Shinjuku-ku, Tokyo 163-0843	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 Corporation 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:1. PAL Research Center Co., Ltd. and Net Future Co., Ltd. became consolidated subsidiaries in fiscal 1999.

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

attempts to develop business overseas, we hope to establish a solid foundation of experience and knowledge from which to pursue globalization. This process is essential in discovering how to adjust Japanese-style consumer finance to meet the different expectations of consumers in other countries. We see Asia, with its similar traditions and lifestyles, as the most hopeful region in which to gain a foothold in international markets, and it is here that we have concentrated our efforts.

In 1989, Promise established Liang Jing Co., Ltd., in Taiwan to finance installment sales, principally of cars. We added Yuukei



Liang Jing Co., Ltd. and Yuukei Co., Ltd.



PROMISE (HONG KONG) CO., LTD.

Co., Ltd., in the same 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 13 loan offices serving 32,000 customer loan accounts.

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 used automobiles, construction materials etc.
	Yuukei Co., Ltd.* 2, Sec.3, Minsheng E. Rd., Taipei	99.92	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
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

Notes:1. In fiscal 1999, we liquidated our two hotel-investment subsidiaries in the United States, Promise U.S.A. Co., Ltd., and Promise Investment U.S.A. Co., Ltd.

2. 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

Operating Income

Total operating income for the year under review grew 8.2%, to ¥238.3 billion. Over the past five years, Promise has achieved record operating income every year with growth averaging 10% during that period. Operating income expansion reflected an 8.6% increase in interest on consumer loans to ¥230.6 billion that could mainly be attributed to the 12.7% increase in loans outstanding to ¥976.6 billion. The actual yield per annum on unsecured loans was 24.9% and the average balance of unsecured loans per account increased by 7.7%, to ¥432,000.

By segment, small-lot unsecured consumer loans, our mainstay business, generated the bulk of operating income. They accounted for ¥967.9 billion or 99.1% of loans outstanding at year end. The remainder of loans outstanding comprised secured loans, which rose slightly to ¥8.7 billion.

Other operating income, consisting mainly of collection of credit losses previously written off and recovered interest, declined 3.4% from the year before to ¥7.7 billion, representing 3.2% of total operating income.

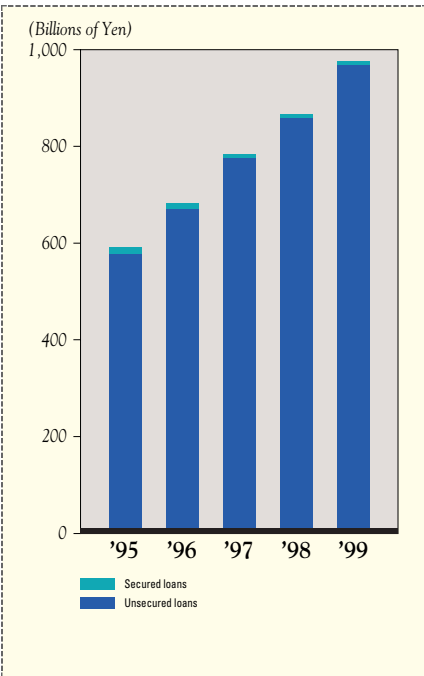
Operating Expenses

Total operating expenses rose 14.5%, to ¥153.6 billion. Financial expenses, which are comprised almost entirely of interest payments, declined 5.4%, to ¥20.9 billion despite the increase in consumer loans outstanding, reflecting lower long-term interest rates. The average interest rate fell from 2.872% to 2.681% on long-term fund procurement, which

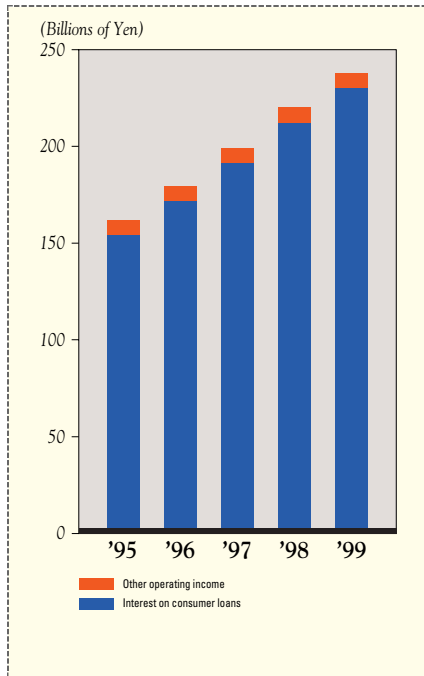
accounted for 97.3% of total fund procurement. The average interest rate for the year on short-term fund procurement, however, rose from 1.458% to 1.643%. Other factors contributing to the decline in financial expenses were the rollover of high interest rate funds, greater direct financing in capital markets, and an increase in long-term funds. The ratio of fixed-interest rate fund procurement to total fund procurement reached 66.7% as of the end of March 1999. With interest rates expected to eventually rise from their current lows, fixed-rate fund procurement provides a substantial cushion against any future increase in market interest rates.

G&A expenses grew 11.9%, to ¥96.9 billion. Advertisements, which account for 14.4% of G&A expenses, jumped 22.8%, to ¥13.9 billion because of a corporate advertisement campaign conducted in national newspapers during the fiscal year. Employees' salary and bonuses increased 5.7%, to ¥20.7 billion, generating 21.4% of G&A expenses. This growth mirrored the 6.0% rise in the number of employees at year end. Rent expenses were almost the same as in the previous year, at ¥10.6 billion, accounting for 10.9% of G&A expenses. Finally, other expenses, which include depreciation expenses, grew 14.8%, to ¥51.6 billion, accounting for 53.3% of G&A expenses. Among other expenses, communication expenses continue to grow due to the Company's aggressive investment in unstaffed branches, tie-up ATMs and CDs, and automated credit providers. In addition, Promise recorded a ¥12.8 billion or 32.0% increase in com-

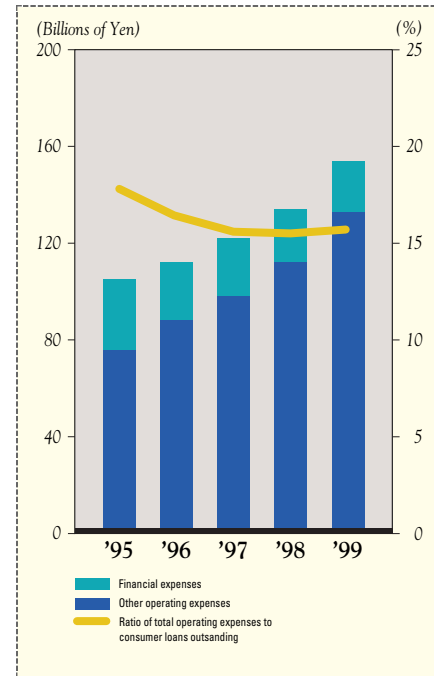
Consumer loans outstanding



Total operating income



Total operating expenses



puting costs related to the development of the Network Open Agility system, (NOA).

Because of the growth in bad debt, the ratio of provision for uncollectible loans to consumer loans outstanding at the end of the fiscal year rose to 3.7% year-on-year, compared with 3.2% in fiscal 1998, resulting in a provision of ¥35.8 billion for uncollectible loans (including write-offs of ¥600 million) on the statements of income.

Consequently, operating profit decreased 1.7%, to ¥84.7 billion, and our operating profit ratio dropped 3.6 percentage points to 35.6%.

Total other expenses, net decreased ¥2 billion, to ¥1.7 billion. This decline can be attributed principally to the lack of several large loss items posted in the previous year. Other notable items included the amortization of a ¥1 billion deferred charge and a substantial increase in equity in earnings of Tokumei Kumiai (Japanese leveraged leasing transactions), to ¥1 billion.

As a result, income before income taxes edged up slightly, to ¥83.0 billion. The Company's effective tax rate fell slightly from 51% to 48% due to lower corporation and enterprise taxes. Consequently, net income advanced 3.9%, to ¥40.2 billion.

Fund procurement

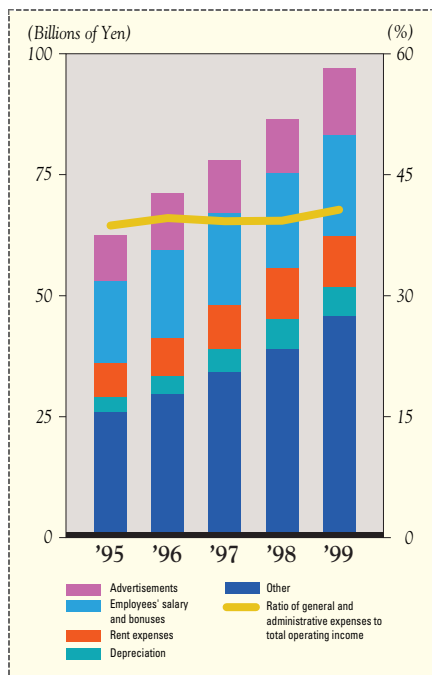
During the fiscal year under review, we continued to diversify our funding sources by issuing a variety of financial instruments domestically and overseas that make use of our

high credit rating, including equity issues, commercial paper, and unsecured straight bonds. Highlighting these efforts was our public issue of 11 million shares, raising ¥61.8 billion, and three straight bond issues, raising ¥30 billion. We have increased the proportion of direct finance from zero to 8.3% during the past five years, and intend to raise this figure to 30%. This strategy relates strongly to the new Non-bank Bond Issuing Law, which was enacted in May 1999, after the end of the fiscal year under review. The Law allows regulated consumer finance companies to raise capital for their loan operations directly from capital markets through bond or commercial paper issues. Funding of consumer loan operations was previously limited to loans or share issues.

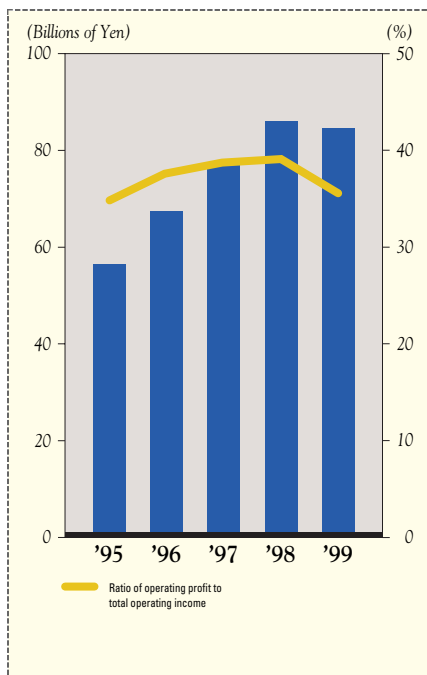
As of March 31, 1999, our total fund procurement outstanding, including capital market funding, had risen 5.2% over the previous year to ¥834 billion, of which ¥742.3 billion, or 97.3%, was accounted for by long-term fund procurement, inclusive of current portion. The net increase in long-term loans and straight bonds was ¥83.6 billion while the net decrease in short-term loans and commercial paper was ¥42 billion.

Of the Company's outstanding fund procurement, including straight and convertible bonds, as of year-end, a total of 66.7% was accounted for by fixed-rate fund procurement, compared with 60.3% in fiscal 1998. This increase reflects the Company's policy of increasing the proportion of long-term fixed rate funds to achieve stable financing and hedge

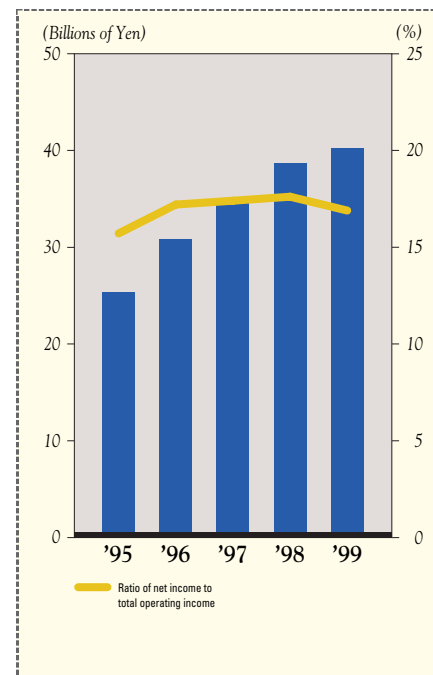
General and administrative expenses



Operating profit



Net income



against the eventual rise in interest rates. Promise also uses floating to fixed interest rate swaps and interest rate caps to hedge against increased funding costs associated with rising interest rates. During the fiscal year under review, the Company purchased interest rate swaps with a notational amount of ¥2.8 billion and an interest rate cap with a notational amount of ¥10.0 billion.

Write off of Credit Losses

Credit losses written off this year totaled ¥27.6 billion, including both secured and unsecured loans. The ratio of credit losses written off to the unsecured consumer loans outstanding as of the end of the year was 2.81%, rising slightly from the 2.47% recorded in the previous fiscal year due to the growing number of bad loans related to the downturn in the economy and other factors. Stringent credit control policies have enabled the Company to keep growth in write-offs to a minimum—personal bankruptcies rose 45.6% in 1998.

Cash Flow

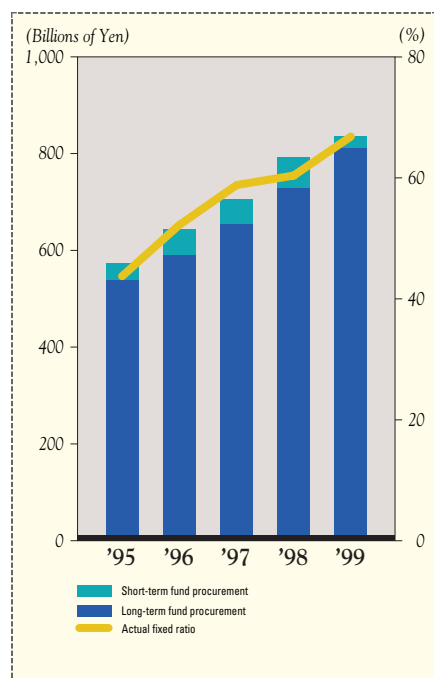
The Company maintained adequate liquidity for operations during the fiscal year. Net cash provided by operating activities was ¥87.2 billion, compared with ¥72.0 billion in the previous fiscal year. This increase resulted mainly from greater income and growth in adjustments to reconcile net income to net cash, depreciation and amortization and provision for uncollectible loans. Net loss on sales or disposal

of property and equipment included ¥1.8 billion related to moving or closing branches (including the closure of our audiovideo software rental and sales outlets) and changing signs due to the introduction of a new visual identity. In addition, we recorded a loss of ¥400 million related to replacing computer terminals and the transfer of Pro saver operations to a subsidiary. Net loss on sales of short-term investments and investments in securities included a gain of ¥3.1 billion from sales of shareholdings in 27 companies and a valuation loss of ¥3.1 billion because of the low value of the shares of the Long-Term Credit Bank and Sumitomo Trust and Banking. Net cash used in investing activities was ¥148.6 billion, compared with ¥107.6 billion in fiscal 1998. The increase resulted mainly from consumer loans expanding at a greater rate than the principal collected on consumer loans. Net cash provided by financing activities was ¥92.6 billion, compared with ¥81.3 billion last year, reflecting increased long-term fund procurement. Consequently, the net increase in cash and cash equivalents was ¥31.2 billion, bringing cash and cash equivalents at the end of the year to ¥161.9 billion.

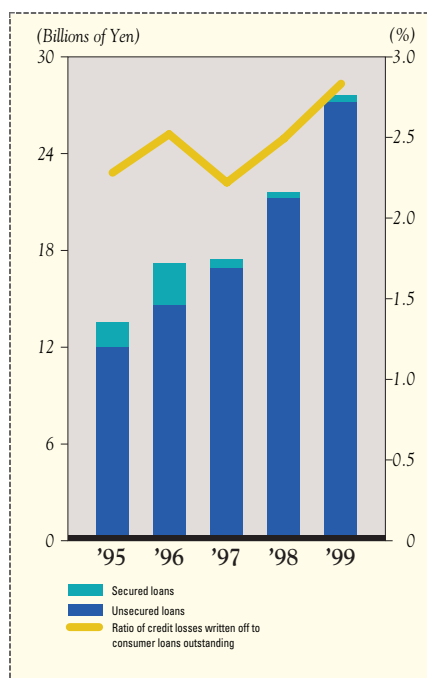
Capital Expenditures

Promise's capital expenditures in fiscal 1999 were mainly used in establishing new branches, upgrading existing branches, increasing the number of automated credit providers and ATMs, and replacing visual items, such as signs, in conjunction with the introduction of a new visual

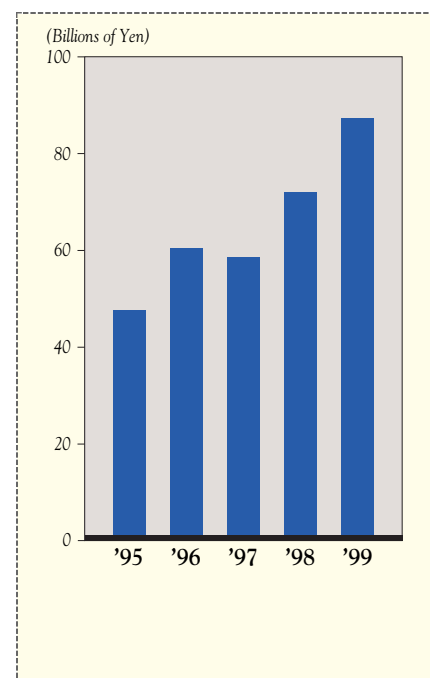
Total fund procurement



Credit losses written off



Net cash provided by operating activities



identity. The number of unsecured loan branches rose from 1,003 at the end of last year to 1,201. Among unsecured loan branches, the number of staffed branches rose from 418 to 435, and the number of unstaffed branches jumped from 585 to 766. There was also an increase in the number of ATMs, which climbed from 1,335 as of the end of March 1998 to 1,511 as of the end of March 1999.

This enhancement of the company's facilities resulted in capital expenditures of ¥7.3 billion, compared with ¥9.6 billion in fiscal 1998. The major portion of these expenditures were allocated to upgrading and replacement of machinery, equipment, and signs. The Company estimates that capital expenditures for fiscal 2000 will amount to ¥11.5 billion, and will be used for a similar purpose as in fiscal 1999, focusing on the replacement of signs.

Shareholders' Equity and Dividends

Shareholders' equity climbed substantially during the period under review due to the public issue of 11 million shares. This capital increase was the major factor behind shareholders' equity jumping ¥94.3 billion or 35.6%, to ¥359.3 billion. As a result, the shareholders' equity ratio advanced from 23.8% to 28.7%.

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

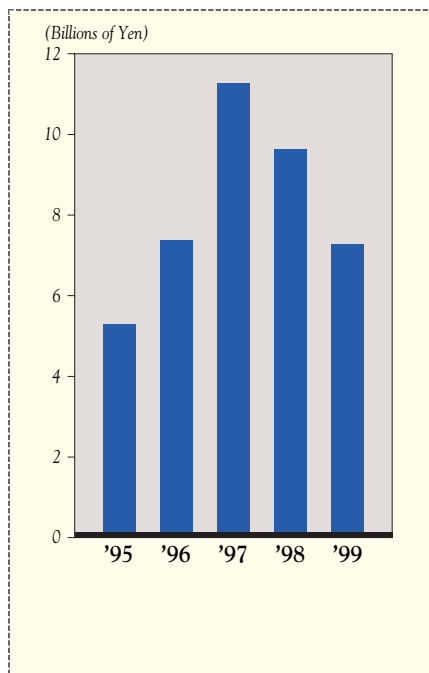
increase in shareholders' equity and boost revenue and earnings to enable us to respond with flexibility to future trends.

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

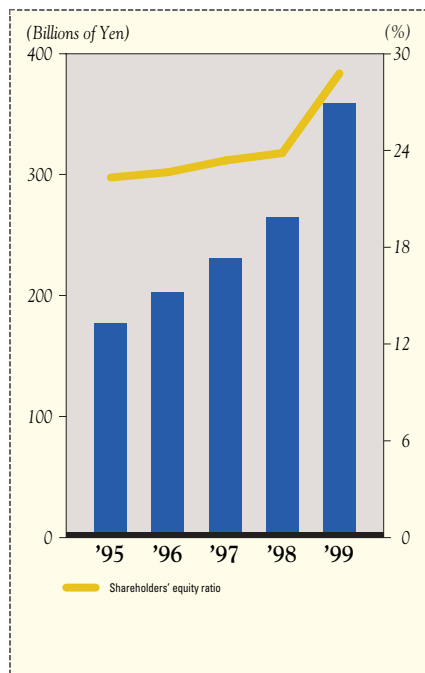
Year 2000 Compliance

In October 1998, the Company brought its new computer system, Network Open Agility (NOA), on stream. With NOA's introduction, Promise's mission critical systems are now year 2000 compliant. A Year 2000 Project Team is supervising the process of attaining full compliancy by September 1999 throughout the Company and its subsidiaries and affiliates, including contingency plans. Total expenditures on the Year 2000 issue are expected to be ¥1.3 billion, with approximately ¥200 million to be spent during the final phase in fiscal 2000.

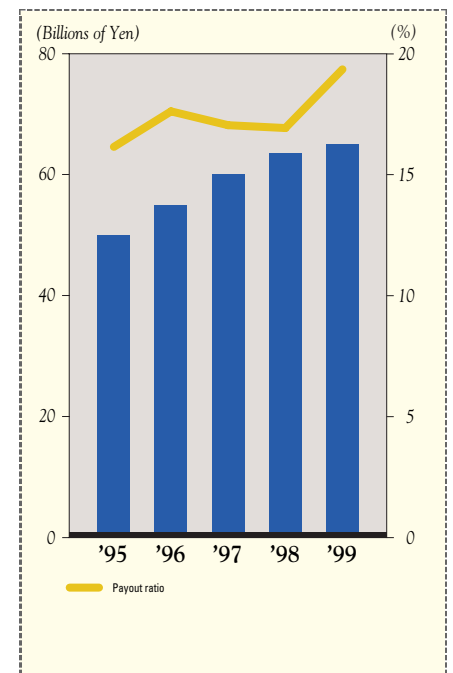
Capital expenditures



Total shareholder' equity



Cash dividends and payout ratio



Directors and Corporate Auditors

(As of June 29, 1999)

Representative Directors



Chairman
Ryoichi Jinnai



Deputy Chairman
Hirozo Yamada



President
Hiroki Jinnai

Managing Directors



Shunji Kosugi



Shigeatsu Kojima



Isao Takeuchi



Kazuyuki Furukawa



Akira Nagashima



Hideshige Tsukamoto



Kazuya Koshida



Yukio Yoshida



Masao Sato



Hiroshi Obata

Directors

Yasuhisa Ichikawa
Harumi Yanai
Tsutomu Kasori
Teruaki Watanabe

Yasuhiko Hamaguchi
Hidetsugu Iriyama
Masayuki Sagawa

Standing Corporate Auditors

Hideo Tada
Yoshiki Kamiuchi
Osamu Ogiya
Kazuo Nagasawa

Financial Section

Contents

Non-Consolidated Balance Sheets	26
Non-Consolidated Statements of Income	28
Non-Consolidated Statements of Shareholders' Equity	29
Non-Consolidated Statements of Cash Flows	30
Notes to the Non-Consolidated Financial Statements	31
Report of the Independent Certified Public Accountants on the Non-Consolidated Financial Statements of the Company	39
Consolidated Balance Sheets	40
Consolidated Statements of Income	42
Consolidated Statements of Shareholders' Equity	43
Consolidated Statements of Cash Flows	44
Notes to the Consolidated Financial Statements	45
Report of the Independent Certified Public Accountants on the Consolidated Financial Statements of the Company	54

Non-Consolidated Balance Sheets

Promise Co., Ltd.
March 31, 1999 and 1998

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1999	1998	1999
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 161,877	¥ 130,707	\$ 1,342,819
Consumer loans receivable (Notes 4 and 10):			
Principal	976,614	866,634	8,101,319
Accrued interest income	9,498	9,335	78,789
Less: allowance for credit losses (Note 5)	(35,170)	(26,920)	(291,747)
	<u>950,942</u>	<u>849,049</u>	<u>7,888,361</u>
Short-term investments (Note 6)	3,519	8,004	29,190
Prepaid expenses	2,510	2,899	20,822
Other current assets	13,392	14,735	111,093
Total current assets	<u>1,132,240</u>	<u>1,005,394</u>	<u>9,392,285</u>
Investments and advances:			
Investments in securities (Notes 6 and 10)	11,365	10,081	94,277
Investments in and advances to subsidiaries and affiliates	11,710	13,032	97,138
Investments in equity other than capital stock (Note 2(10))	5,138	5,229	42,620
Long-term prepaid expenses	7,884	2,266	65,399
Other investments and advances	7,022	6,157	58,248
Less: allowance for credit losses (Note 5)	(850)	(870)	(7,051)
Total investments and advances	<u>42,269</u>	<u>35,895</u>	<u>350,631</u>
Property and equipment, net (Note 8)	59,496	58,323	493,540
Fixed leasehold deposits (Note 9)	12,491	12,273	103,616
Deferred charge	1,926	—	15,978
Total assets	<u>¥1,248,422</u>	<u>¥1,111,885</u>	<u>\$10,356,050</u>

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1999	1998	1999
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings (Note 10)	¥ 22,800	¥ 64,800	\$ 189,133
Current portion of long-term debt (Note 10)	245,124	193,398	2,033,379
Accounts payable	7,560	5,904	62,715
Accrued income taxes (Note 18)	24,725	25,948	205,100
Accrued expenses	5,318	4,893	44,111
Other current liabilities	345	252	2,871
Total current liabilities	305,872	295,195	2,537,309
Long-term liabilities:			
Long-term debt (Note 10)	566,124	534,275	4,696,178
Non-current accounts payable (Note 2 (10))	7,846	8,590	65,081
Accrued severance indemnities	7,334	6,793	60,842
Other long-term debt	1,932	2,016	16,022
Total long-term liabilities	583,236	551,674	4,838,123
Contingent liabilities (Note 13)			
Shareholders' equity (Note 14):			
Common stock, ¥50 par value:			
Authorized – 300,000,000 shares			
Issued:			
– 119,615,061 shares at March 31, 1999	44,446	—	368,692
– 108,615,061 shares at March 31, 1998	—	13,558	—
Additional paid-in capital	54,240	23,363	449,937
Legal reserve	3,778	3,256	31,341
Voluntary reserve	216,300	185,800	1,794,276
Retained earnings	40,550	39,039	336,372
Total shareholders' equity	359,314	265,016	2,980,618
Total liabilities and shareholders' equity	¥1,248,422	¥1,111,885	\$10,356,050

Non-Consolidated Statements of Income

Promise Co., Ltd.

For the years ended March 31, 1999 and 1998

Thousands of
U.S. Dollars
(Note 3)

	Millions of Yen		1999
	1999	1998	
Operating income:			
Interest on consumer loans	¥230,583	¥212,314	\$1,912,760
Other operating income (Note 15)	7,740	8,016	64,206
Total operating income	238,323	220,330	1,976,966
Operating expenses:			
Financial expenses (Note 16)	20,882	22,064	173,219
General and administrative expenses (Note 17)	96,853	86,529	803,423
Credit losses including provision for uncollectible loans (Note 5)	35,874	25,597	297,593
Total operating expenses	153,609	134,190	1,274,235
Operating profit	84,714	86,140	702,731
Other income (expenses):			
Interest and dividend income on investments	417	446	3,463
Amortization of deferred charge	(963)	—	(7,989)
Bond issue expenses	(163)	(120)	(1,350)
Insurance money received and insurance dividend	139	173	1,149
Equity in earnings of Tokumei Kumiai (Note 2 (10))	979	579	8,118
Net loss on sales of short-term investments and investments in securities	(94)	(982)	(783)
Loss on valuation of investments in securities	(44)	(1,736)	(368)
Net loss on sales or disposal of property and equipment	(2,203)	(2,762)	(18,274)
Gain on liquidation of Tokumei Kumiai	—	1,151	—
Other, net	189	(466)	1,578
Total other expenses, net	(1,743)	(3,717)	(14,456)
Income before income taxes	82,971	82,423	688,275
Income taxes (Note 18)	42,796	43,755	355,007
Net income	¥ 40,175	¥ 38,668	\$ 333,268

	Yen		U.S. Dollars (Note 3)
	1999	1998	
Amount per share:			
Net income:			
Basic	¥ 342.69	¥ 356.78	\$ 2.84
Diluted	336.98	349.72	2.80
Cash dividends	65	63	0.54
Weighted average number of shares (Thousands):			
Basic	117,234	108,381	117,234
Diluted	119,222	110,571	119,222

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, 1999 and 1998

Millions of Yen

	Number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Voluntary reserve	Retained earnings
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
Net income	—	—	—	—	—	40,175
Legal reserve	—	—	—	522	—	(522)
Cash dividends paid	—	—	—	—	—	(7,472)
Bonuses to directors and statutory auditors	—	—	—	—	—	(170)
Transfer to voluntary reserve	—	—	—	—	30,500	(30,500)
Proceeds from issuance of new shares	11,000,000	30,888	30,877	—	—	—
Balance at March 31, 1999	119,615,061	¥44,446	¥54,240	¥3,778	¥216,300	¥40,550

Thousands of U.S. Dollars (Note 3)

	Number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Voluntary reserve	Retained earnings
Balance at March 31, 1998	108,615,061	\$112,466	\$193,803	\$27,007	\$1,541,269	\$323,845
Net income	—	—	—	—	—	333,268
Legal reserve	—	—	—	4,334	—	(4,334)
Cash dividends paid	—	—	—	—	—	(61,981)
Bonuses to directors and statutory auditors	—	—	—	—	—	(1,419)
Transfer to voluntary reserve	—	—	—	—	253,007	(253,007)
Proceeds from issuance of new shares	11,000,000	256,226	256,134	—	—	—
Balance at March 31, 1999	119,615,061	\$368,692	\$449,937	\$31,341	\$1,794,276	\$336,372

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, 1999 and 1998

Thousands of
U.S. Dollars
(Note 3)

	Millions of Yen		1999
	1999	1998	
Operating activities:			
Net income	¥ 40,175	¥ 38,668	\$ 333,268
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,527	6,982	70,739
Credit losses including provision for uncollectible loans	35,874	25,597	297,593
Provision for accrued severance indemnities	541	556	4,492
Equity in earnings of Tokumei Kumiai	(745)	(372)	(6,178)
Gain on liquidation of Tokumei kumiai	—	(1,094)	—
Loss on valuation of investments in securities	44	1,736	368
Net loss on sales of short-term investments and investments in securities	94	982	783
Net loss on sales or disposal of property and equipment	2,203	2,762	18,274
Changes in operating assets and liabilities:			
Increase in accrued interest income	(163)	(1,551)	(1,349)
Decrease in prepaid expenses	389	207	3,223
Decrease (Increase) in other current assets	1,343	(5,715)	11,142
Increase (Decrease) in accounts payable	(495)	891	(4,106)
Increase (Decrease) in accrued income taxes	(1,223)	2,775	(10,146)
Increase in accrued expenses	424	78	3,520
Increase (Decrease) in other current liabilities	94	(35)	784
Other, net	83	(455)	656
Net cash provided by operating activities	87,165	72,012	723,063
Investing activities:			
Consumer loans made to customers	(622,392)	(553,263)	(5,162,940)
Principal collected on consumer loans	484,788	449,359	4,021,469
Payment for purchase of securities	(11,178)	(3,213)	(92,723)
Proceeds from sales of securities	14,239	11,556	118,117
Purchases of property and equipment	(7,267)	(9,644)	(60,284)
Proceeds from sales of property and equipment	66	286	547
Increase in fixed leasehold deposits	(218)	(1,506)	(1,812)
Increase in other investments	(6,677)	(1,141)	(55,381)
Net cash used in investing activities	(148,639)	(107,566)	(1,233,007)
Financing activities:			
Proceeds from issuance of common stock, net of expenses	58,876	—	488,393
Proceeds from long-term debt	285,746	250,516	2,370,355
Repayments of long-term debt	(202,334)	(174,885)	(1,678,427)
Increase (Decrease) in short-term borrowings	(42,000)	11,800	(348,403)
Cash dividends paid	(7,473)	(5,917)	(61,987)
Bonuses paid to directors and statutory auditors	(171)	(167)	(1,420)
Net cash provided by financing activities	92,644	81,347	768,511
Net increase in cash and cash equivalents	31,170	45,793	258,567
Cash and cash equivalents at beginning of the year	130,707	84,914	1,084,252
Cash and cash equivalents at end of the year	¥161,877	¥130,707	\$1,342,819
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	¥ 20,071	¥ 20,765	\$ 166,496
Income taxes	43,975	40,980	365,152

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 and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

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.

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

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

Property and equipment (other than new buildings acquired on or after April 1, 1998) are depreciated on a declining-balance method over the estimated useful lives of the assets as prescribed by tax laws. The estimated useful lives of the buildings are shortened by about 20% in conformity with 1998 tax changes. The range of useful lives is principally from 3 to 50 years for buildings and from 2 to 20 years for furniture, fixtures and equipment.

Effective from April 1, 1998, the Company changed its depreciation method for new buildings acquired on or after April 1, 1998 to the straight-line method. This change was made in order to be consistent with the 1998 tax changes.

The effect of the above change and shortening on the results of operations for the year ended March 31, 1999 were not material.

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, 1999 is ¥3,803 million (\$31,544 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 ¥7,846 million (\$65,081 thousand) as of March 31, 1999. 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 lump-sum payments or annual payments 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) Deferred Charge

Stock issue expenses are deferred and amortized on the straight-line basis over three years, as permitted by the Japanese Commercial Code.

(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 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.

(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 bonds.

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 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 ¥120.55 to U.S.\$1, being the effective rate of exchange at

March 31, 1999. 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 ¥120.55 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 ¥967,881 million (\$8,028,873 thousand) and ¥858,225 million

as of March 31, 1999 and 1998, respectively.

5. Allowance for Credit Losses

Transactions affecting the "allowance for credit losses" account for the years ended March 31, 1999 and 1998 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1999	1998	1999
Balance at beginning	¥27,790	¥23,750	\$230,527
Credit losses written-off against the allowance	(27,004)	(21,557)	(224,007)
Provision for uncollectible loans	35,234	25,597	292,278
Balance at end	¥36,020	¥27,790	\$298,798

6. Short-term Investments and Investments in Securities

Short-term investments and investments in securities held by the Company as of March 31, 1999 and 1998 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1999	1998	1999
Short-term investments:			
Equity securities	¥ 1,182	¥ 4,827	\$ 9,805
Government and corporate bonds	1,000	—	8,295
Other securities	1,337	3,177	11,090
	¥ 3,519	¥ 8,004	\$29,190
Investments in securities:			
Equity securities	¥ 9,365	¥ 7,993	\$77,686
Government and corporate bonds	2,000	2,088	16,591
	¥11,365	¥10,081	\$94,277

Book value and market value information on short-term investments and investments in securities held by the Company as of March 31, 1999 were summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Book value per balance sheet	Market value	Unrealized gain (loss)	Book value per balance sheet	Market value	Unrealized gain (loss)
Short-term investments:						
Equity securities	¥ 1,182	¥ 3,082	¥1,900	\$ 9,805	\$ 25,563	\$15,758
Other securities	404	336	(68)	3,354	2,786	(568)
	1,586	3,418	1,832	13,159	28,349	15,190
Investments in securities:						
Equity securities	8,586	15,914	7,328	71,225	132,009	60,784
	¥10,172	¥19,332	¥9,160	\$84,384	\$160,358	\$75,974

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, 1999 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Short-term investments:		
Government and corporate bonds	¥1,000	\$8,295
Other securities	933	7,736
Investments in securities:		
Equity securities	779	6,461
Government and corporate bonds	2,000	16,591

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. In addition, the Company enters into interest rate cap agreements. These 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 fair values of the off balance sheet financial instruments as of March 31, 1999 were as follows:

	Millions of Yen			
	Notional amount		Fair value	Unrealized loss
	Total	Due after one year		
Year ending March 31, 1999				
Interest rate swap:				
Changing floating rates into fixed rate	¥ 2,840	¥ 1,720	¥(40)	¥ (40)
Interest rate cap:				
Purchased	10,000	10,000	75	(63)
	<u>¥12,840</u>	<u>¥11,720</u>	<u>¥ 35</u>	<u>¥(103)</u>

	Thousands of U.S. Dollars			
	Notional amount		Fair value	Unrealized loss
	Total	Due after one year		
Year ending March 31, 1999				
Interest rate swap:				
Changing floating rates into fixed rate	\$ 23,559	\$14,268	\$(336)	\$(336)
Interest rate cap:				
Purchased	82,953	82,953	628	(526)
	<u>\$106,512</u>	<u>\$97,211</u>	<u>\$ 292</u>	<u>\$(862)</u>

8. Property and Equipment

Property and equipment at March 31, 1999 and 1998 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1999	1998	1999
Buildings	¥24,502	¥23,167	\$203,253
Structures	4,785	4,966	39,697
Furniture, fixtures and equipment	31,859	29,989	264,281
Other	2	2	18
	<u>61,148</u>	<u>58,124</u>	<u>507,249</u>
Less: Accumulated depreciation	(29,455)	(28,063)	(244,340)
	<u>31,693</u>	<u>30,061</u>	<u>262,909</u>
Land	27,801	27,870	230,618
Construction in progress	2	392	13
	<u>¥59,496</u>	<u>¥58,323</u>	<u>\$493,540</u>

9. Fixed Leasehold Deposits

Fixed leasehold deposits as at March 31, 1999 and 1998 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, 1999 and 1998 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1999	1998	1999
Short-term bank loans*			
Secured	¥ 1,800	¥12,800	\$ 14,931
Entered into the forward contract of assigning consumer loans receivable	19,000	26,800	157,611
Unsecured	2,000	5,200	16,591
	22,800	44,800	189,133
Commercial paper	—	20,000	—
	¥22,800	¥64,800	\$189,133
Notes*:			
Maximum month-end balance outstanding during the period	¥45,800	¥57,700	\$379,925
Average month-end balance outstanding during the period	32,978	51,117	273,566
Weighted average interest rate for the period	1.643%	1.458%	1.543%

Short-term bank loans outstanding at March 31, 1999 and 1998 were represented mainly by overdrafts with banks bearing interest at annual rates ranging from 1.058 % to 2.925 % and from 1.063 % to 2.125 %, respectively.

Long-term debt outstanding at March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1999	1998	1999
Loans, principally from banks and other financial institutions with interest rates indicated below*1:			
Secured	¥192,653	¥181,085	\$1,598,117
Entered into the forward contract of assigning consumer loans receivable	363,493	333,568	3,015,292
Unsecured	186,171	174,089	1,544,348
	742,317	688,742	6,157,757
Uncollateralized zero coupon convertible yen bonds, due 2000*2	8,931	8,931	74,082
2.100% per annum uncollateralized yen bonds, due 2002	10,000	10,000	82,953
2.600% per annum uncollateralized yen bonds, due 2002	10,000	10,000	82,953
2.000% per annum uncollateralized yen bonds, due 2002	10,000	10,000	82,953
2.100% per annum uncollateralized yen bonds, due 2001	10,000	—	82,953
2.100% per annum uncollateralized yen bonds, due 2001	10,000	—	82,953
2.050% per annum uncollateralized yen bonds, due 2002	10,000	—	82,953
Less: portion due within one year	(245,124)	(193,398)	(2,033,379)
	¥566,124	¥534,275	\$4,696,178
Weighted average interest rate for the period	2.681%	2.872%	2.681%

Notes: *1 Annual interest rates on loans from banks and other financial institutions outstanding as of March 31, 1999 and 1998 ranged from 0.710% to 4.900% and from 1.253% to 8.655%, respectively.

*2 The uncollateralized convertible yen bonds in the initial principal amount of ¥10,000 million due February 22, 2000 were issued on February 22, 1996, and are convertible into common stock of the Company. The current conversion price is ¥4,492.00 (\$37.26) per share. The conversion price was adjusted from ¥4,566.40 to ¥4,492.00, effective on June 19, 1998, due to the issuance of new shares.

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, 1999 and 1998 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1999	1998	1999
Consumer loans receivable*	¥199,569	¥198,922	\$1,655,489
Investments in securities	332	321	2,753
	¥199,901	¥199,243	\$1,658,242

Note: * In addition to the above assets pledged, the Company entered into the forward contract of assigning consumer loans receivable. The contract amounts were ¥397,534 million (\$3,297,667 thousand) and ¥376,279 million as of March 31, 1999 and 1998, respectively.

The aggregate annual maturities of long-term debt, excluding the above bonds, outstanding at March 31, 1999 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31,		
2000	¥236,193	\$1,959,297
2001	210,372	1,745,103
2002	161,512	1,339,793
2003	91,301	757,370
2004 and thereafter	42,939	356,194
	¥742,317	\$6,157,757

11. Pension Plans

The accumulated balances of fund assets of the funded pension plans of the Company aggregated ¥5,685 million (\$47,161 thousand), as of March 31, 1999, 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,
	1999	1998	1999
Rental expense	¥2,503	¥2,387	\$20,764
Depreciation expense	2,271	2,186	18,838
Interest expense	191	216	1,584

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, 1999 and 1998 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1999	1998	1999
Due within one year	¥2,122	¥2,198	\$17,599
Due after one year	1,710	1,942	14,186
	¥3,832	¥4,140	\$31,785

A summary of the leased properties under the above leases as of March 31, 1999 and 1998 were as follows:

	Millions of Yen		Thousands of
	March 31,		U.S. Dollars
	1999	1998	March 31,
			1999
Furniture, fixtures and equipment	¥10,415	¥8,613	\$86,393
Other	475	404	3,940
	10,890	9,017	90,333
Less: Accumulated depreciation	(7,199)	(5,051)	(59,715)
	¥ 3,691	¥3,966	\$30,618

(2) The aggregate future lease payments under ordinary operating leases as of March 31, 1999 and 1998 were as follows:

	Millions of Yen		Thousands of
	March 31,		U.S. Dollars
	1999	1998	March 31,
			1999
Due within one year	¥122	¥113	\$1,015
Due after one Year	41	150	338
	¥163	¥263	\$1,353

13. Contingent Liabilities

As of March 31, 1999, the balance of guaranty of liabilities is ¥15,417 million (\$127,890 thousand). This primarily guarantees subsidiaries' loan payable to banks and other financial institutions. As to ¥1,548 million (\$12,842 thousand) of guaranty of liabilities, which is the subsidiaries' loan payable to the banks, the Company has concluded the forward contract assigning consumer loans receivable with the

banks in connection with consumer loans receivable in the amount of ¥2,369 million (\$19,649 thousand).

In addition, the Company's consumer loans receivable of ¥1,941 million (\$16,107 thousand) pledged as collateral for guaranty of liability, which is the subsidiary's loan payable to the bank in the amount of ¥778 million (\$6,454 thousand).

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.

On June 18, 1998, the Company made a public offering of 11,000 thousand shares at issue price of ¥5,615 (\$46.58) per share of the total proceeds from the

sale of new share amounting to ¥61,765 million (\$512,360 thousand). The proceeds were credited in approximately equal amounts to common stock and additional paid-in capital.

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, 1999 and 1998 were as follows:

	Millions of Yen		Thousands of
	For the year ended		U.S. Dollars
	March 31,		For the year ended
	1999	1998	March 31,
			1999
Collected amounts	¥4,282	¥4,381	\$35,524

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, 1999 and 1998 were as follows:

	Millions of Yen		Thousands of
	For the year ended March 31,		U.S. Dollars
	1999	1998	For the year ended March 31, 1999
Interest expense	¥20,485	¥21,262	\$169,930

17. General and Administrative Expenses

General and administrative expenses in the accompanying non-consolidated statements of income, for the years ended March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of
	For the year ended March 31,		U.S. Dollars
	1999	1998	For the year ended March 31, 1999
Advertisements	¥13,906	¥11,325	\$115,358
Employees' salary and bonuses	20,699	19,582	171,704
Rent expenses	10,599	10,620	87,923
Other	51,649	45,002	428,438
	<u>¥96,853</u>	<u>¥86,529</u>	<u>\$803,423</u>

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 48 % and 51 % for the years ended March 31, 1999 and 1998, respectively.

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.

19. Subsequent Events

At the general shareholders' meeting of the Company held on June 29, 1999, the appropriation of unappropriated retained earnings was duly approved as follows:

	Millions of Yen	Thousands of
		U.S. Dollars
Balance at March 31, 1999	¥40,550	\$336,372
Appropriation:		
Legal reserve	(7,333)	(60,832)
Cash dividends, ¥32.5 (\$0.27) per share	(3,888)	(32,248)
Transfer to voluntary reserve	(24,500)	(203,235)
Directors' and statutory auditors' bonuses	(175)	(1,452)
	<u>¥ 4,654</u>	<u>\$ 38,605</u>

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, 1999 and 1998, and the related non-consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the non-consolidated financial position of Promise Co., Ltd. as of March 31, 1999 and 1998, and the non-consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

The amount expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying non-consolidated financial statements.

Chuo Audit Corporation

Chuo Audit Corporation

Osaka, Japan
June 29, 1999

Consolidated Balance Sheets

Promise Co., Ltd.
March 31, 1999 and 1998

Thousands of
U.S. Dollars
(Note 3)

	Millions of Yen		1999
	1999	1998	
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 171,599	¥ 136,283	\$ 1,423,466
Receivables and consumer loans:			
Notes and accounts receivable (Note 10)	46,970	38,478	389,635
Consumer loans receivable (Notes 4 and 10):			
Principal	1,025,452	913,564	8,506,449
Accrued interest income	9,692	9,627	80,395
Less: allowance for credit losses (Note 5)	(39,112)	(30,224)	(324,452)
	1,043,002	931,445	8,652,027
Short-term investments (Note 6)	3,566	8,002	29,583
Prepaid expenses	3,054	3,300	25,334
Other current assets	13,621	15,978	112,991
Total current assets	1,234,842	1,095,008	10,243,401
Investments and advances:			
Investments in securities (Notes 6 and 10)	11,418	10,254	94,714
Investments in and advances to unconsolidated subsidiaries and affiliates	5,780	7,502	47,943
Investments in equity other than capital stock (Notes 2 (11) and 10)	5,188	5,229	43,035
Long-term prepaid expenses	9,747	3,783	80,856
Other investments and advances	7,623	6,765	63,237
Less: allowance for credit losses (Note 5)	(859)	(870)	(7,126)
Total investments and advances	38,897	32,663	322,659
Property and equipment, net (Note 8)	61,042	60,131	506,363
Fixed leasehold deposits (Note 9)	13,509	13,247	112,066
Deferred charge	1,926	—	15,978
Adjustments on foreign currency statement translation	280	26	2,319
Total assets	¥1,350,496	¥1,201,075	\$11,202,786

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1999	1998	1999
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings (Note 10)	¥ 48,425	¥ 83,305	\$ 401,695
Current portion of long-term debt (Note 10)	268,528	211,210	2,227,524
Accounts payable:			
Trade	430	567	3,571
Other	8,798	7,770	72,978
	9,228	8,337	76,549
Accrued income taxes (Note 18)	25,386	26,713	210,588
Accrued expenses	5,639	5,213	46,780
Deferred unrealized profit on sales	1,448	1,791	12,012
Other current liabilities	6,381	5,257	52,933
Total current liabilities	365,035	341,826	3,028,081
Long-term liabilities:			
Long-term debt (Note 10)	599,635	568,666	4,974,158
Non-current accounts payable (Note 2 (11))	7,846	8,590	65,081
Accrued severance indemnities (Note 11)	7,418	6,910	61,533
Excess investment cost under net assets of consolidated subsidiaries acquired	—	48	—
Other long-term debt	1,950	1,981	16,184
Total long-term liabilities	616,849	586,195	5,116,956
Minority interest	4,297	4,186	35,648
Contingent liabilities (Note 13)			
Shareholders' equity (Note 14):			
Common stock, ¥50 par value:			
Authorized – 300,000,000 shares			
Issued:			
– 119,615,061 shares at March 31, 1999	44,446	—	368,692
– 108,615,061 shares at March 31, 1998	—	13,558	—
Additional paid-in capital	54,240	23,363	449,937
Retained earnings	265,630	231,949	2,203,478
Less: treasury stock	(1)	(2)	(6)
Total shareholders' equity	364,315	268,868	3,022,101
Total liabilities and shareholders' equity	¥1,350,496	¥1,201,075	\$11,202,786

Consolidated Statements of Income

Promise Co., Ltd.

For the years ended March 31, 1999 and 1998

Thousands of
U.S. Dollars
(Note 3)

	Millions of Yen		1999
	1999	1998	
Operating income (Note 19):			
Interest on consumer loans	¥244,570	¥224,079	\$2,028,784
Sales	14,971	19,046	124,188
Other operating income (Note 15)	11,513	9,961	95,504
Total operating income	271,054	253,086	2,248,476
Operating expenses (Note 19):			
Financial expenses (Note 16)	23,108	23,752	191,686
Cost of sales	12,914	16,985	107,128
General and administrative expenses (Note 17)	106,914	95,204	886,887
Credit losses including provision for uncollectible loans (Note 5)	40,764	28,751	338,145
Total operating expenses	183,700	164,692	1,523,846
Operating profit (Note 19)	87,354	88,394	724,630
Other income (expenses):			
Interest and dividend income on investments	321	376	2,661
Amortization of deferred charge	(963)	—	(7,989)
Bond issue expenses	(163)	(120)	(1,350)
Insurance money received and insurance dividend	140	173	1,164
Interest expense	(933)	(832)	(7,735)
Equity in earnings of Tokumei Kumiai (Note 2 (11))	979	579	8,118
Net loss on sales of short-term investments and investments in securities	(160)	(962)	(1,326)
Loss on valuation of investments in securities	(44)	(1,784)	(368)
Net loss on sales or disposal of property and equipment	(2,366)	(2,871)	(19,628)
Gain on liquidation of Tokumei Kumiai	—	1,151	—
Amortization of excess of cost under net assets acquired, net	49	48	404
Other, net	347	(300)	2,876
Total other expenses, net	(2,793)	(4,542)	(23,173)
Income before income taxes	84,561	83,852	701,457
Income taxes (Note 18)	43,764	44,858	363,032
Minority interest	165	53	1,367
Net income	¥ 40,632	¥ 38,941	\$ 337,058

	Yen		U.S. Dollars (Note 3)
	1999	1998	
Amount per share:			
Net income:			
Basic	¥ 346.59	¥ 359.31	\$ 2.88
Diluted	340.81	352.19	2.83
Cash dividends	65	63	0.54
Weighted average number of shares (Thousands):			
Basic	117,234	108,378	117,234
Diluted	119,222	110,568	119,222

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Promise Co., Ltd.

For the years ended March 31, 1999 and 1998

Millions of Yen

	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock
Balance at March 31, 1997	98,528,070	¥13,023	¥22,828	¥199,449	¥(0)
Net income	—	—	—	38,941	—
Cash dividends paid	—	—	—	(5,914)	—
Bonuses to directors and statutory auditors	—	—	—	(177)	—
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	¥231,949	¥(2)
Net income	—	—	—	40,632	—
Cash dividends paid	—	—	—	(7,472)	—
Bonuses to directors and statutory auditors	—	—	—	(172)	—
Proceeds from issuance of new shares	11,000,000	30,888	30,877	—	—
Increase due to inclusion of a company in the consolidation	—	—	—	979	—
Decrease due to inclusion of a company in the consolidation	—	—	—	(286)	—
Decrease in treasury stock	—	—	—	—	1
Balance at March 31, 1999	119,615,061	¥44,446	¥54,240	¥265,630	¥(1)

Thousands of U.S. Dollars (Note 3)

	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock
Balance at March 31, 1998	108,615,061	\$112,466	\$193,803	\$1,924,090	\$(15)
Net income	—	—	—	337,058	—
Cash dividends paid	—	—	—	(61,981)	—
Bonuses to directors and statutory auditors	—	—	—	(1,441)	—
Proceeds from issuance of new shares	11,000,000	256,226	256,134	—	—
Increase due to inclusion of a company in the consolidation	—	—	—	8,122	—
Decrease due to inclusion of a company in the consolidation	—	—	—	(2,370)	—
Decrease in treasury stock	—	—	—	—	9
Balance at March 31, 1999	119,615,061	\$368,692	\$449,937	\$2,203,478	\$(6)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Promise Co., Ltd.

For the years ended March 31, 1999 and 1998

Thousands of
U.S. Dollars
(Note 3)

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1999	1998	
Operating activities:			
Net income	¥ 40,632	¥ 38,941	\$ 337,058
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,486	7,779	78,688
Credit losses including provision for uncollectible loans	40,764	28,751	338,147
Provision for accrued severance indemnities	508	557	4,210
Equity in earnings of Tokumei Kumiai	(745)	(372)	(6,178)
Gain on liquidation of Tokumei Kumiai	—	(1,094)	—
Loss on valuation of investments in securities	44	1,784	368
Net loss on sales of short-term investments and investments in securities	160	962	1,326
Net loss on sales or disposal of property and equipment	2,366	2,871	19,628
Changes in operating assets and liabilities:			
Increase in notes and accounts receivable	(9,200)	(8,605)	(76,313)
Increase in accrued interest income	(234)	(1,696)	(1,938)
Decrease in prepaid expenses	254	198	2,107
Decrease (Increase) in other current assets	3,545	(5,841)	29,409
Increase (Decrease) in accounts payable	(1,432)	1,417	(11,879)
Increase (Decrease) in accrued income taxes	(1,375)	3,193	(11,403)
Increase in accrued expenses	420	124	3,484
Increase (Decrease) in deferred unrealized profit on sales	(343)	283	(2,844)
Increase (Decrease) in other current liabilities	1,266	(6,385)	10,506
Increase in minority interest	162	14	1,345
Other, net	546	(1,088)	4,515
Net cash provided by operating activities	86,824	61,793	720,236
Investing activities:			
Consumer loans made to customers	(666,044)	(593,669)	(5,525,047)
Principal collected on consumer loans	522,265	481,108	4,332,356
Payment for purchase of securities	(11,178)	(3,281)	(92,723)
Proceeds from sales of securities	14,375	11,631	119,246
Purchases of property and equipment	(7,877)	(10,822)	(65,342)
Proceeds from sales of property and equipment	273	294	2,265
Increase in fixed leasehold deposits	(208)	(1,536)	(1,726)
Increase in other investments	(7,448)	(1,063)	(61,784)
Net cash used in investing activities	(155,842)	(117,338)	(1,292,755)
Financing activities:			
Proceeds from issuance of common stock, net of expenses	58,876	—	488,393
Proceeds from long-term debt	311,729	286,327	2,585,891
Repayments of long-term debt	(224,378)	(198,574)	(1,861,287)
Increase (Decrease) in short-term borrowings	(36,383)	21,518	(301,811)
Cash dividends paid	(7,523)	(5,917)	(62,409)
Bonuses paid to directors and statutory auditors	(174)	(177)	(1,441)
Net cash provided by financing activities	102,147	103,177	847,336
Net increase in cash and cash equivalents	33,129	47,632	274,817
Cash and cash equivalents at beginning of the year	138,470	88,651	1,148,649
Cash and cash equivalents at end of the year	¥171,599	¥136,283	\$1,423,466
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	¥ 22,272	¥ 22,400	\$ 184,755
Income taxes	45,095	41,655	374,074

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 subsidiaries are maintained in accordance with the provisions set forth in the Commercial Code of Japan (the "Commercial Code") and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

The 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.

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

2. Summary of Significant Accounting Policies

(1) Scope and Significant Accounting Policies

The Company had 13 subsidiaries and 4 affiliates (which term includes 20 % to 50 % owned companies) as of March 31, 1999 and 15 subsidiaries and 4 affiliates as of March 31, 1998. The accompanying consolidated financial statements include the accounts of the Company and 6 (4 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, 1999	Fiscal year-end
GC Co., Ltd.	Japan	63.86%	March 31
Liang Jing Co., Ltd.	Taiwan	100.00%	December 31
Yuukei Co., Ltd.	Taiwan	99.92%	December 31
PROMISE (HONG KONG) CO., LTD.	Hong Kong	100.00%	December 31
Net Future Co., Ltd.*	Japan	100.00%	March 31
PAL Research Center Co., Ltd.*	Japan	100.00%	March 31

*Included in the consolidation effective from the year ended March 31, 1999.

The remaining 7 unconsolidated subsidiaries at March 31, 1999 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 subsidiaries are 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.

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

Property and equipment (other than new buildings acquired on or after April 1, 1998) are depreciated on a declining-balance method over the estimated useful lives of the assets as prescribed by tax laws. The estimated useful lives of the buildings are shortened by about 20% in conformity with 1998 tax changes. The range of useful lives is principally from 3 to 50 years for buildings and from 2 to 20 years for furniture, fixtures and equipment.

Effective from April 1, 1998, the Company changed its depreciation method for new buildings acquired on or after April 1, 1998 to the straight-line method. This change was made in order to be consistent with the 1998 tax changes.

The effect of the above change and shortening on the results of operations for the year ended March 31, 1999 were not material.

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, 1999 is ¥3,803 million (\$31,544 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 ¥7,846 million (\$65,081 thousand) as of March 31, 1999. 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 lump-sum payments or annual payments 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 GC Co., Ltd. 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 GC Co., Ltd. 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 these 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) Deferred Charge

Stock issue expenses are deferred and amortized on the straight-line basis over three years, as permitted by the Japanese Commercial Code.

(15) Bond Issue Expenses

Bond issue expenses are charged to income as incurred.

(16) 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.

(17) 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 bonds.

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

(18) 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.

(19) Reclassifications

Certain prior-year amounts have been reclassified to conform to the current year's presentation.

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 ¥120.55 to U.S.\$1, being the effective rate of exchange at

March 31, 1999. 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 ¥120.55 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 ¥1,016,719 million (\$8,434,004 thousand) and ¥902,361 million as of March 31, 1999 and 1998, respectively.

5. Allowance for Credit Losses

Transactions affecting the "allowance for credit losses" account for the years ended March 31, 1999 and 1998 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended		For the year ended
	March 31,		March 31,
	1999	1998	1999
Balance at beginning	¥31,094	¥25,926	\$257,928
Credit losses written-off against the allowance	(30,147)	(23,583)	(250,066)
Provision for uncollectible loans	39,024	28,751	323,716
Balance at end	¥39,971	¥31,094	\$331,578

6. Short-term Investments and Investments in Securities

Short-term investments and investments in securities held by the Companies as of March 31, 1999 and 1998 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1999	1998	1999
Short-term investments:			
Equity securities	¥ 1,181	¥ 4,826	\$ 9,799
Government and corporate bonds	1,002	—	8,313
Other securities	1,383	3,176	11,471
	¥ 3,566	¥ 8,002	\$29,583
Investments in securities:			
Equity securities	¥ 9,418	¥ 8,116	\$78,124
Government and corporate bonds	2,000	2,138	16,590
	¥11,418	¥10,254	\$94,714

Book value and market value information on short-term investments and investments in securities held by the Companies as of March 31, 1999 were summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Book value per balance sheet	Market value	Unrealized gain (loss)	Book value per balance sheet	Market value	Unrealized gain (loss)
Short-term investments:						
Equity securities	¥ 1,181	¥ 3,081	¥1,900	\$ 9,799	\$ 25,557	\$15,758
Other securities	445	364	(81)	3,686	3,016	(670)
	1,626	3,445	1,819	13,485	28,573	15,088
Investments in securities:						
Equity securities	8,586	15,913	7,327	71,225	132,008	60,783
	¥10,212	¥19,358	¥9,146	\$84,710	\$160,581	\$75,871

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, 1999 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Short-term investments:		
Government and corporate bonds	¥1,002	\$ 8,313
Other securities	938	7,785
Investments in securities:		
Equity securities	832	6,899
Government and corporate bonds	2,000	16,590

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. In addition, the Company and GC Co., Ltd. enters into interest rate cap agreements. These

agreements are used to reduce the exposure to market risk from fluctuation in interest rate. The Companies does not hold or issue any financial instruments for trading purposes.

The fair values of the off balance sheet financial instruments as of March 31, 1999 were as follows:

	Millions of Yen			
	Notional amount		Fair value	Unrealized loss
	Total	Due after one year		
Year ending March 31, 1999				
Interest rate swap:				
Changing floating rates into fixed rate	¥ 2,840	¥ 1,720	¥(40)	¥ (40)
Interest rate cap:				
Purchased	13,000	10,000	75	(82)
	<u>¥15,840</u>	<u>¥11,720</u>	<u>¥ 35</u>	<u>¥(122)</u>

	Thousands of U.S. Dollars			
	Notional amount		Fair value	Unrealized loss
	Total	Due after one year		
Year ending March 31, 1999				
Interest rate swap:				
Changing floating rates into fixed rate	\$ 23,559	\$14,268	\$(336)	\$ (336)
Interest rate cap:				
Purchased	107,839	82,953	628	(684)
	<u>\$131,398</u>	<u>\$97,211</u>	<u>\$ 292</u>	<u>\$(1,020)</u>

8. Property and Equipment

Property and equipment at March 31, 1999 and 1998 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1999	1998	1999
Buildings	¥25,245	¥24,155	\$209,414
Structures	4,979	4,966	41,300
Furniture, fixtures and equipment	34,405	32,372	285,404
Other	33	37	279
	<u>64,662</u>	<u>61,530</u>	<u>536,397</u>
Less: Accumulated depreciation	(31,424)	(29,662)	(260,671)
	<u>33,238</u>	<u>31,868</u>	<u>275,726</u>
Land	27,802	27,871	230,624
Construction in progress	2	392	13
	<u>¥61,042</u>	<u>¥60,131</u>	<u>\$506,363</u>

9. Fixed Leasehold Deposits

Fixed leasehold deposits as at March 31, 1999 and 1998 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, 1999 and 1998 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1999	1998	1999
Short-term bank loans*			
Secured	¥ 8,747	¥16,703	\$ 72,556
Entered into the forward contract of assigning consumer loans receivable	20,000	27,800	165,906
Unsecured	10,059	12,063	83,444
	38,806	56,566	321,906
Commercial paper and other			
Secured	8,619	6,739	71,494
Unsecured	1,000	20,000	8,295
	9,619	26,739	79,789
	¥48,425	¥83,305	\$401,695
Notes*:			
Maximum month-end balance outstanding during the period	¥61,327	¥68,624	\$508,726
Average month-end balance outstanding during the period	46,788	63,812	388,121
Weighted average interest rate for the period	2.981%	2.111%	2.981%

Short-term bank loans outstanding at March 31, 1999 and 1998 were represented mainly by overdrafts with banks bearing interest at annual rates ranging from 1.058% to 10.250%, and from 1.063% to 12.125%, respectively.

The principal ranges of annual interest rates applicable to commercial paper and other at March 31, 1999 and 1998 were from 2.137% to 6.650% and from 1.500% to 8.450%, respectively.

Long-term debt outstanding at March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1999	1998	1999
Loans, principally from banks and other financial institutions with interest rates indicated below*1:			
Secured	¥235,883	¥225,331	\$1,956,723
Entered into the forward contract of assigning consumer loans receivable	372,757	339,436	3,092,139
Unsecured	190,592	176,178	1,581,020
	799,232	740,945	6,629,882
Uncollateralized zero coupon convertible yen bonds, due 2000*2	8,931	8,931	74,082
2.100% per annum uncollateralized yen bonds, due 2002	10,000	10,000	82,953
2.600% per annum uncollateralized yen bonds, due 2002	10,000	10,000	82,953
2.000% per annum uncollateralized yen bonds, due 2002	10,000	10,000	82,953
2.100% per annum uncollateralized yen bonds, due 2001	10,000	—	82,953
2.100% per annum uncollateralized yen bonds, due 2001	10,000	—	82,953
2.050% per annum uncollateralized yen bonds, due 2002	10,000	—	82,953
Less: portion due within one year	(268,528)	(211,210)	(2,227,524)
	¥599,635	¥568,666	\$4,974,158
Weighted average interest rate for the period	2.684%	2.871%	2.684%

Notes: *1 Annual interest rates on loans from banks and other financial institutions outstanding as of March 31, 1999 and 1998 ranged from 0.710% to 4.900% and from 1.253% to 8.920%, 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 ¥4,492.00 (\$37.26) per share. The conversion price was adjusted from ¥4,566.40 to ¥4,492.00, effective on June 19, 1998, due to the issuance of new shares.

The Companies' assets pledged as collateral for short-term bank loans, commercial paper and other and long-term loans with banks and other financial institutions at March 31, 1999 and 1998 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1999	1998	1999
Notes and accounts receivable	¥ 23,893	¥ 26,387	\$ 198,198
Consumer loans receivable*	237,836	232,017	1,972,926
Investments in securities	332	312	2,753
Investments in equity other than capital stock	50	—	416
	<u>¥262,111</u>	<u>¥258,716</u>	<u>\$2,174,293</u>

Note: * In addition to the above assets pledged, the Companies entered into the forward contract of assigning notes and accounts receivable and consumer loans receivable.
The contract amounts were ¥415,270 million (\$3,444,795 thousand) and ¥382,311 million as of March 31, 1999 and 1998, respectively.

The aggregate annual maturities of long-term debt, excluding the above bonds, outstanding at March 31, 1999 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2000	¥259,597	\$2,153,442
2001	229,467	1,903,503
2002	170,686	1,415,891
2003	94,594	784,691
2004 and thereafter	44,888	372,355
	<u>¥799,232</u>	<u>\$6,629,882</u>

11. Pension Plans

The accumulated balances of fund assets of the funded pension plans of the Company aggregated ¥5,685 million (\$47,161 thousand), as of March 31, 1999, which is the date of the most recent actuarial valuation.

The accumulated balances of fund assets of the funded pension plans of GC Co., Ltd. aggregated ¥111 million (\$918 thousand), as of August 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,
	1999	1998	1999
Rental expense	¥2,535	¥2,387	\$21,031
Depreciation expense	2,299	2,186*	19,070
Interest expense	198	216*	1,639

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, 1999 and 1998 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1999	1998	1999
Due within one year	¥2,165	¥2,198	\$17,960
Due after one year	1,862	1,942	15,446
	<u>¥4,027</u>	<u>¥4,140</u>	<u>\$33,406</u>

A summary of the leased properties under the above leases as of March 31, 1999 and 1998 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1999	1998	1999
Furniture, fixtures and equipment	¥10,645	¥8,613*	\$88,302
Other	475	404*	3,940
	11,120	9,017*	92,242
Less: Accumulated depreciation	(7,237)	(5,051)*	(60,030)
	¥ 3,883	¥3,966*	\$32,212

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, 1999 and 1998 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1999	1998	1999
Due within one year	¥136	¥113	\$1,129
Due after one year	43	150	357
	¥179	¥263	\$1,486

13. Contingent Liabilities

As of March 31, 1999, the balance of guaranty of liabilities is ¥5 million (\$40 thousand).

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.

On June 18, 1998, the Company made a public offering of 11,000 thousand shares at issue price of ¥5,615 (\$46.58) per share of the total proceeds from the

sale of new share amounting to ¥61,765 million (\$512,360 thousand). The proceeds were credited in approximately equal amounts to common stock and additional paid-in capital.

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(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 the years ended March 31, 1999 and 1998 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1999	1998	1999
Collected amounts	¥4,520	¥4,660	\$37,498

16. Financial Expenses

Interest expense, which was included in "Financial expenses" in the accompanying consolidated statements of income, for the years ended March 31, 1999 and 1998 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1999	1998	1999
Interest expense	¥22,695	¥22,949	\$188,267

17. General and Administrative Expenses

General and administrative expenses in the accompanying consolidated statements of income, for the years ended March 31, 1999 and 1998 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1999	1998	1999
Advertisements	¥ 15,735	¥13,273	\$130,528
Employees' salary and bonuses	23,183	21,595	192,306
Rent expenses	11,794	11,475	97,832
Other	56,202	48,861	466,221
	<u>¥106,914</u>	<u>¥95,204</u>	<u>\$886,887</u>

18. Income Taxes

The Company and its domestic consolidated subsidiaries 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 48% and 51% for the years ended March 31, 1999 and 1998, respectively.

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.

19. Segment Information by Business Activities

The Companies' operations by business segment were as follows:

	Millions of Yen			Adjustments and eliminations	Consolidated
	Consumer finance business	Other business	Total		
Year ended March 31, 1999					
Operating income from:					
Outside customers	¥ 253,789	¥17,265	¥ 271,054	¥ —	¥ 271,054
Intersegment	—	1,217	1,217	(1,217)	—
Total	253,789	18,482	272,271	(1,217)	271,054
Operating expenses	155,462	17,904	173,366	10,334	183,700
Operating profit	<u>¥ 98,327</u>	<u>¥ 578</u>	<u>¥ 98,905</u>	<u>¥ (11,551)</u>	<u>¥ 87,354</u>
Assets	¥1,258,034	¥45,881	¥1,303,915	¥ 46,581	¥1,350,496
Depreciation expenses	6,352	387	6,739	142	6,881
Capital expenditure	9,344	331	9,675	65	9,740

	Millions of Yen				Consolidated
	Consumer finance business	Other business	Total	Adjustments and eliminations	
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

	Thousands of U.S. Dollars				Consolidated
	Consumer finance business	Other business	Total	Adjustments and eliminations	
Year ended March 31, 1999					
Operating income from:					
Outside customers	\$ 2,105,255	\$143,221	\$ 2,248,476	\$ —	\$ 2,248,476
Intersegment	—	10,093	10,093	(10,093)	—
Total	2,105,255	153,314	2,258,569	(10,093)	2,248,476
Operating expenses	1,289,609	148,516	1,438,125	85,721	1,523,846
Operating profit	\$ 815,646	\$ 4,789	\$ 820,444	\$ (95,814)	\$ 724,630
Assets	\$10,435,789	\$380,594	\$10,816,383	\$386,403	\$11,202,786
Depreciation expenses	52,694	3,209	55,903	1,178	57,081
Capital expenditure	77,515	2,740	80,255	536	80,791

Unallocated corporate expenses and assets, which were included in "Adjustments and eliminations" for the years ended March 31, 1999 and 1998 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	For the year ended March 31,		For the year ended March 31,
	1999	1998	1999
Corporate expenses	¥10,569	¥ 9,740	\$ 87,673
Corporate assets	46,798	38,884	388,203

20. Subsequent Events

At the general shareholders' meeting of the Company held on June 29, 1999, the appropriation of unappropriated retained earnings was duly approved as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at March 31, 1999	¥265,630	\$2,203,478
Appropriation:		
Legal reserve	(7,333)	(60,832)
Cash dividends, ¥32.5 (\$0.27) per share	(3,888)	(32,248)
Transfer to voluntary reserve	(24,500)	(203,235)
Directors' and statutory auditors' bonuses	(175)	(1,452)
	¥229,734	\$1,905,711

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 accompanying consolidated balance sheets of Promise Co., Ltd. and its consolidated subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Promise Co., Ltd. and its consolidated subsidiaries as of March 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

The amount expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

Chuo Audit Corporation

Chuo Audit Corporation

Osaka, Japan
June 29, 1999

Five-Year Summary (Non-Consolidated Basis)

Promise Co., Ltd.
Years ended March 31

Millions of Yen

	1995	1996	1997	1998	1999
Financial Position					
Consumer loans outstanding	¥591,362	¥682,066	¥784,201	¥ 866,634	¥ 976,614
Allowance for credit losses	20,970	20,850	23,750	27,790	36,020
Total current assets	693,103	791,195	883,571	1,005,394	1,132,240
Total investments and advances	40,966	41,213	37,455	35,895	42,269
Property and equipment, net	49,700	51,888	57,877	58,323	59,496
Fixed leasehold deposits	9,651	10,420	10,767	12,273	12,491
Total assets	793,420	894,716	989,670	1,111,885	1,248,422
Short-term borrowings and current portion of long-term debt	212,089	223,909	226,975	258,198	267,924
Total current liabilities	237,905	255,617	260,411	295,195	305,872
Long-term debt	360,991	417,821	479,137	534,275	566,124
Total long-term liabilities	378,530	436,387	497,900	551,674	583,236
Total shareholders' equity	176,985	202,712	231,359	265,016	359,314
Income and Expenses					
Interest on consumer loans	¥154,051	¥171,809	¥191,401	¥ 212,314	¥ 230,583
Other operating income	7,890	7,429	7,496	8,016	7,740
Total operating income	161,941	179,238	198,897	220,330	238,323
Financial expenses	28,837	23,869	23,673	22,064	20,882
General and administrative expenses	62,623	70,972	78,005	86,529	96,853
Provision for uncollectible loans	14,084	17,042	20,305	25,597	35,874
Total operating expenses	105,544	111,883	121,983	134,190	153,609
Operating profit	56,397	67,355	76,914	86,140	84,714
Income before income taxes	55,434	66,620	73,876	82,423	82,971
Net income	25,418	30,770	34,690	38,668	40,175
Other Financial Data					
Depreciation and amortization	3,825	4,476	5,690	6,982	8,527
Credit losses written off	13,473	17,161	17,405	21,556	27,644
Purchases of property and equipment	5,278	7,382	11,262	9,644	7,267
Amount per Share (Yen)					
Net income, basic*	¥234.52	¥283.90	¥320.08	¥356.78	¥342.69
Cash dividends	50.00	55.00	60.00	63.00	65.00
Payout ratio (%)	16.15	17.61	17.04	16.92	19.35
Operations					
Number of customer accounts (thousands)	1,578	1,797	1,992	2,136	2,242
Number of branches	584	623	760	1,015	1,207
Number of automated credit providers	20	273	695	977	1,164
Number of ATMs and tie-up CDs	3,705	5,949	13,400	17,037	21,475
Weighted average number of shares, basic* (thousands)	108,381	108,381	108,381	108,381	117,234
Number of employees	3,099	3,417	3,478	3,574	3,789

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

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 Contributions Law 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 refused 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 Credit Outstanding, by Type of Lender (December 31)

	100 millions of Yen				
	1993	1994	1995	1996	1997
Consumer credit	741,048	749,110	748,005	752,407	743,335
Sales on credit	166,862	170,164	177,166	182,892	182,621
Consumer finance	574,186	578,946	570,839	569,515	560,714
Of which, consumer loans	380,177	372,432	372,017	374,035	372,867
Commercial finance institutions	296,395	283,765	272,482	262,502	251,897
Consumer finance companies (including Promise)	39,970	44,982	52,082	59,634	65,179
Sales finance (shinpan) companies	29,290	29,164	31,807	34,968	37,278
Bank-affiliated credit card companies	6,439	6,159	6,434	6,910	7,477
Distributor-affiliated credit card companies	3,902	4,149	4,840	5,415	6,173
Others	4,181	4,213	4,372	4,606	4,863

Source: Japan Credit Industry Association, Japan Credit Industry Statistics 1999

Consumer Loans Outstanding in the Consumer Finance Company Sector (March 31, 1999, except for Lake)

Company Name	Billions of Yen	Company Name	Billions of Yen
Promise	¥ 976.6	Lake	¥539.2*
Takefuji	1,341.2	Aic	418.8
Acom	1,206.4	Sanyo Shinpan	225.2
Aiful	837.9		

* As of September 30, 1998

Source: The Japan Finance News, July 1, 1999 issue.

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		Bank-affiliated credit card companies	
Promise	25.550	JCB	27.800
Takefuji	27.375	DC Card	27.800
Acom	27.375	UC Card	27.800
Sanyo Shinpan	29.000		
Aiful	29.200	Distributor-affiliated credit card companies	
Lake	29.200	Aeon Credit Service	25.600
Sales finance (Shinpan) companies		Daiei OMC	28.800
Jaccs	18.000	Credit Saison	29.600
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.

Stock Information

Number of Shares of Common Stock

	Years ended March 31				
	1995	1996	1997	1998	1999
Stock split (1 into 1.25)	16,421,345				
Stock split (1 into 1.20)		16,421,345			
Conversion of convertible bonds				226,733	
Stock split (1 into 1.10)				9,860,258	
Issuance of new shares					11,000,000
Total number of shares	82,106,725	98,528,070	98,528,070	108,615,061	119,615,061

Common Stock Price Trends and Stock Value Indicators

		Years ended March 31				
		1995	1996	1997	1998	1999
Price range	High (¥)	5,200 3,900*	5,150	5,800	7,040 7,850*	7,100
	Low (¥)	3,750 3,550*	3,490	4,900	4,990 6,000*	4,760
Close (¥)		4,140	4,750	5,180	6,910	6,260
Market capitalization (Billions of yen)		339.9	468.0	510.4	750.5	748.8

* Figure represents the post-exrights stock price involved in a stock split.

Principal Shareholders

Name	March 31, 1999	
	Number of shares held (thousands)	Percentage of total shares in issue (%)
Hideki Jinnai	19,388	16.21
Ryoichi Jinnai	16,697	13.96
Tsuyako Jinnai	5,983	5.00
Nippon Life Insurance Company, Limited	5,912	4.94
The Sumitomo Trust and Banking Company, Limited	5,597	4.68
The Long-Term Credit Bank of Japan, Limited	5,405	4.52
Sumitomo Life Insurance Company	3,690	3.09
State Street Bank and Trust Company	3,122	2.61
The Mitsubishi Trust and Banking Corporation	2,659	2.22
Boston Safe Deposit BSDT Treaty Clients Omnibus	1,870	1.56

Number of Shares by Shareholder Category

Category	March 31, 1999	
	Number of shares held (thousands)	Percentage of total shares in issue (%)
Japanese financial institutions	39,007	32.61
Japanese securities companies	1,299	1.09
Other Japanese corporations	6,635	5.55
Foreign corporations and individuals	24,095	20.14
Japanese individuals and others	48,575	40.61
Total	119,615	100.00

Corporate Information

(As of March 31, 1999)

Date of Establishment

March 20, 1962

Fiscal Year

April 1 to March 31

Auditor

Chuo Audit Corporation

Number of Employees

3,789

Paid-in Capital

¥44,446 million

Common Stock

Authorized: 300,000,000 shares

Issued: 119,615,061 shares

Number of Shareholders

5,622

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

Offices

(As of March 31, 1999)

■ Headquarters

1-2-4, Otemachi, Chiyoda-ku

Tokyo 100-0004, Japan

Tel: (03) 3287-1515

■ Osaka Headquarters

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

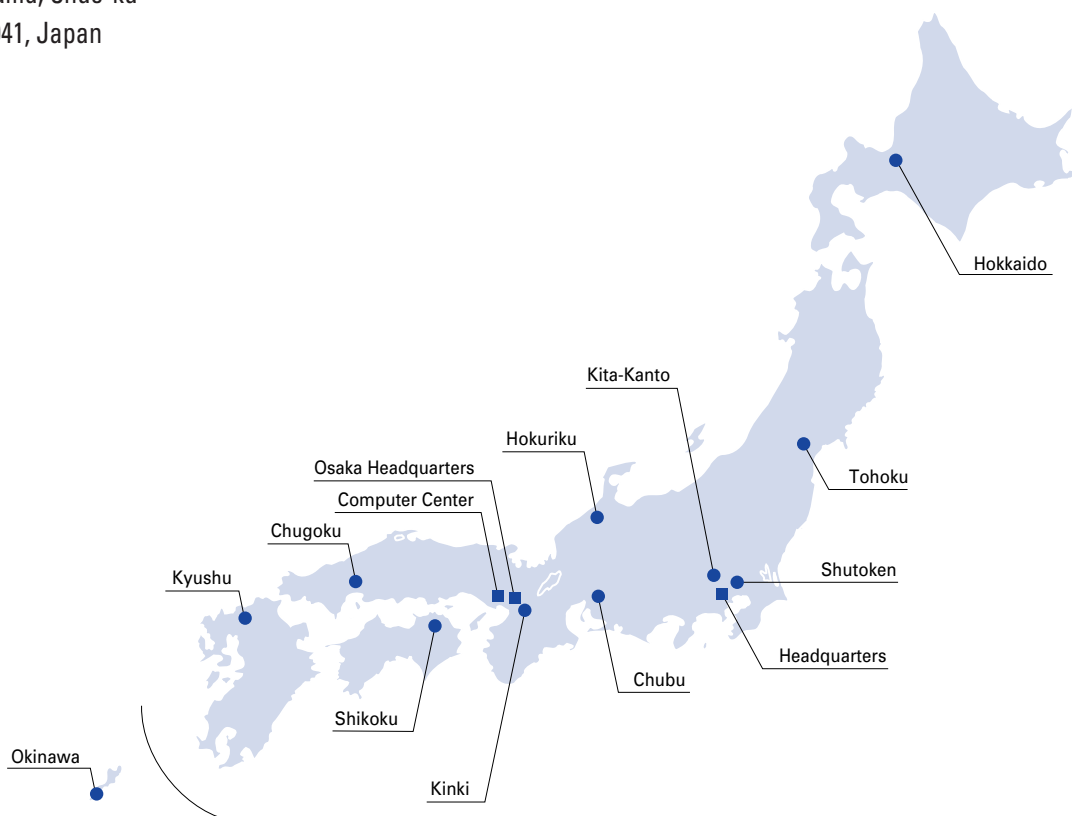
Okinawa

Branches (1,207)

For unsecured loans: 1,201

For secured loans: 2

For outdoor & leisure goods: 4





PROMISE

PROMISE CO., LTD.

1-2-4, OTEMACHI, CHIYODA-KU, TOKYO 100-0004, JAPAN

Phone +81-3-3213-2545 (Corporate Communications Department)

<http://www.promise.co.jp/ir/>

ir@promise.co.jp