



PROMISE

PROMISE CO., LTD. ANNUAL REPORT 2000

**Annual Report 2000**  
Year ended March 31, 2000



**PROMISE CO., LTD.**

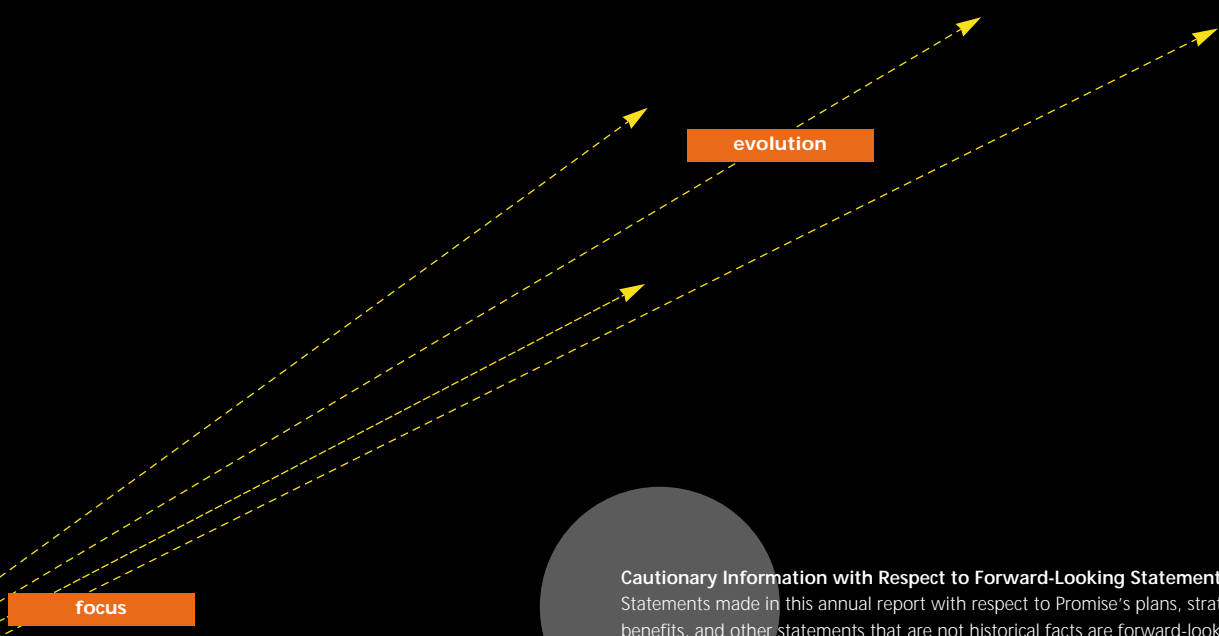
## Profile

Promise Co., Ltd., continues to achieve solid earnings growth as a finance specialist with operations centering on the provision of unsecured loans to individuals.

In the fiscal year ended March 31, 2000, Promise's balance of unsecured loans outstanding surpassed the ¥1 trillion mark for the first time in the Company's history. The achievement of this milestone was driven by the success of such initiatives as the introduction of the new Visual Identity (VI) program in the previous fiscal year and the launch of the Promise-JCB credit card.

Moreover, Promise made additional strides toward its goal to establish a framework for offering consumer finance services that meet the rapidly evolving needs of borrowers. Among the steps taken in this direction were an M&A strategy directed at medium-sized consumer finance companies and the establishment of MOBIT Co., Ltd., a joint venture between Promise and the Sanwa Bank, Ltd.

Promise will continue working to achieve stable growth and meet the expectations of its shareholders by employing a business model that allows the rapid execution of business strategies ahead of the momentous changes taking place today. We thank you for your continued support of our business activities.



### Cautionary Information with Respect to Forward-Looking Statements

Statements made in this annual report with respect to Promise's plans, strategies, and benefits, and other statements that are not historical facts are forward-looking statements about the future of Promise, which are based on the management's assumptions and beliefs in light of the information available at present. As such, they involve risks and uncertainties. Potential risks and uncertainties include, without limitation, general economic conditions and the business environment in Japan as well as changes to Japanese laws and regulations.

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## Financial Highlights

### Consolidated Basis

Promise Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
<b>For the Year:</b>			
Total operating income .....	¥ 300,724	¥ 271,054	\$ 2,833,011
Operating profit .....	106,027	87,354	998,844
Income before income taxes.....	103,201	84,561	972,215
Net income .....	58,572	40,632	551,781
Credit losses including provision for uncollectible loans .....	40,483	40,764	381,367
<b>At Year-end:</b>			
Total assets .....	1,477,849	1,350,496	13,922,272
Consumer loans receivable: Principal .....	1,159,253	1,025,452	10,920,895
Total shareholders' equity.....	438,091	364,315	4,127,093
Interest-bearing debt.....	970,598	916,588	9,143,646
Allowance for credit losses .....	44,411	39,112	418,376
<b>Amount per Share (Yen/U.S. Dollars):</b>			
Net income, basic* .....	¥ 486.92	¥ 346.59	\$ 4.59
Cash dividends .....	80.00	65.00	0.75
Shareholders' equity.....	3,602.80	3,045.72	33.94

\*Based on Japanese accounting standards.

Note: U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥106.15 to \$1, the approximate exchange rate at March 31, 2000.

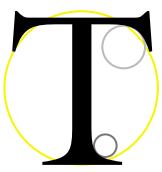
### Non-Consolidated Basis

Promise Co., Ltd.  
Years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
<b>For the Year:</b>			
Total operating income .....	¥ 264,999	¥ 238,323	\$ 2,496,462
Operating profit .....	102,339	84,714	964,101
Income before income taxes.....	100,303	82,971	944,916
Net income .....	57,238	40,175	539,216
Credit losses including provision for uncollectible loans .....	34,866	35,874	328,460
<b>At Year-end:</b>			
Total assets .....	1,354,079	1,248,422	12,756,280
Consumer loans receivable: Principal .....	1,100,546	976,614	10,367,841
Total shareholders' equity.....	430,257	359,314	4,053,291
Interest-bearing debt.....	869,676	834,048	8,192,896
Allowance for credit losses .....	39,110	35,170	368,440
<b>Amount per Share (Yen/U.S. Dollars):</b>			
Net income, basic* .....	¥ 475.83	¥ 335.87	\$ 4.48
Shareholders' equity.....	3,538.37	3,003.91	33.33

\*Based on Japanese accounting standards.

Note: U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥106.15 to \$1, the approximate exchange rate at March 31, 2000.



## To Our Fellow Shareholders and Investors

The fiscal year ended March 31, 2000, proved to be a significant turning point in Promise Co., Ltd.'s drive to achieve a new level of growth. The policies we implemented with the aim of enhancing financial performance were highly successful.

Major achievements included the introduction of the new Promise Visual Identity (VI) program in January 1999 and the issue of the Promise-JCB credit card in June of the same year. These and other highly effective strategies were instrumental in propelling Promise to the best financial performance of its 38-year history. We are pleased to report that consolidated total operating income jumped 10.9%, to ¥300.7 billion, income before income taxes soared 22.0%, to ¥103.2 billion, and net income rose 44.2%, to ¥58.6 billion. Moreover, the non-consolidated balance of unsecured loans outstanding broke the ¥1 trillion mark for the first time in the Company's history. These record financial results are indicative of Promise's commitment to fulfill shareholder expectations of superior performance.



With a view to creating a framework for continually achieving this kind of financial performance, in December 1998 we unveiled Promise Vision, our new long-term corporate vision. To realize the goals set forth in Promise Vision, we have pursued strategies centered on the three themes of Specialization, Focus, and Evolution. Specialization underscores our commitment to concentrate our strategic resources in consumer finance—the business we know best. Focus is the theme that drives our continual efforts to enhance our products and services, exceeding customer expectations through market-leading product development and highly advanced information technology (IT) applications. Evolution indicates that we are pursuing the goal of becoming our customers' "Personal Main Bank," by establishing and maintaining long-term multisolution consumer finance relationships with them.

In January 1999, we launched a new VI program to further strengthen the Promise brand. We completely revamped our existing corporate image and introduced a new, distinctive yellow and black logo that signifies our aim to be recognized as the consumer finance industry's most reliable partner. A renewal program to replace existing signage with that bearing the new yellow and black logo at all branches, coupled with an aggressive television advertising campaign, has resulted in a remarkably fast heightening of consumer awareness of the Promise brand. The most tangible result of the new VI program has been a significant increase in the number of new Promise customers. Furthermore, Promise developed the Promise-JCB credit card as a product based on an entirely different concept from existing credit cards. As a result of a preferential launch to customers who have both a high need for funds and a superior credit history, the Promise-JCB credit card quickly achieved a

Hiroki Jinnai, President

high utilization level. Because of its no-fee membership feature, the Promise-JCB credit card was well received by customers.

Looking at our operating environment, the two primary factors affecting our operations are tightened maximum allowable interest rate regulations and changes in the regulations concerning procurement of funds. Specifically, in May 1999 the Nonbank Bond Issuing Law went into effect. This law allows nonbank financial companies to issue corporate bonds for the purpose of procuring funds to use in the business of making loans and extending credit. Consequently, we have moved aggressively to procure funds through the issue of corporate bonds. Not only has this had the effect of lowering and stabilizing our funding costs, it has also provided us with greater diversification in our fund procurement methods.

In the consumer finance industry, the revision of the Contributions Law (also known as the Capital Subscriptions Law) and the entry of firms from other industries into the consumer finance arena are sure to bring a wave of great change. However, Promise shareholders should not view these developments with alarm. The reason is that Promise is well ahead of the competition in achieving new growth. For example, the recent revision of the Contributions Law resulted in a lowering of the maximum allowable interest rate in June 2000. This is expected to lead to the consolidation of a number of small and medium-sized consumer loan companies and a reshuffling of the consumer finance industry. Because Promise has already acquired a number of companies and is a financial partner in a number of ventures, rather than as an obstacle to realizing the goals of Promise Vision, we view this change as an exciting opportunity to aggressively pursue M&A activities, in line with our policy of creating a business group that delivers maximum consolidated financial performance.



Ryoichi Jinnai, Chairman

Furthermore, we intend to develop and establish relationships with new customer groups through alliances with leading firms in other industries. In May 2000, Promise, in an alliance with the Sanwa Bank, Ltd., established MOBIT Co., Ltd.—a revolutionary consumer finance solution company that combines Promise's proven expertise in lending and credit administration with Sanwa Bank's brand strengths and business channel development capabilities—to create an entirely new consumer lending market. MOBIT harnesses the power of cutting-edge IT and the Internet to offer customers enhanced convenience and ease of use. MOBIT is an important part of Promise's plan to continually meet the needs of its customers. We are confident that the strategies we are now implementing will ensure that our business structure retains the flexibility necessary to be an initiator of change in today's rapidly evolving consumer finance industry. Our pledge to you—our shareholders—is that we will continue to develop and execute strategies that deliver the superior business results you have come to expect.

July 2000





# Accelerating along the Path to Realizing Its Corporate Vision



**Although the leading companies in Japan's consumer finance industry have achieved expanded market share, the industry is rapidly being reshaped by a wave of change that includes the entry of banks and overseas nonbank financial institutions. How is Promise responding to these events?**

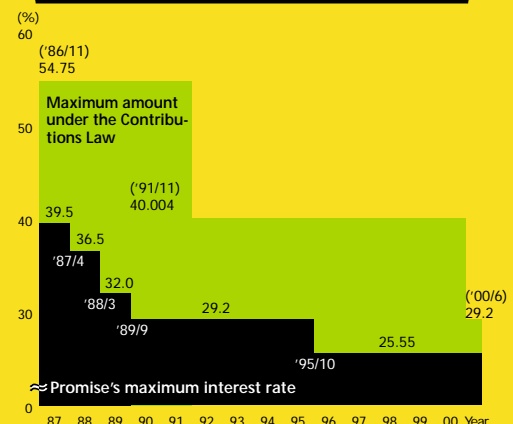


Amid this sweeping change in its operating environment, Promise has moved to expand its portfolio of products and services and further strengthen the financial operating base of the Promise Group. We have done this by acquiring medium-sized consumer finance firms and forging alliances with other leading financial institutions. In December 1999, we announced that we were joining forces with Sanwa Bank to set up a new company to provide loans to individuals. This joint venture combines the best from both companies, namely Promise's wealth of know-how in credit provision and loan management and Sanwa Bank's brand strengths and the development capabilities of its distribution channels. Not only will this venture yield significant synergistic results, it is also an excellent means for both companies to develop an entirely new customer base.

In addition, Promise is moving aggressively ahead with M&A strategies. In June 2000, the maximum allowable interest rate under the Contributions Law\* was lowered from 40.004% to 29.2%. As our maximum rate is 25.55%, this change does not directly affect us. However, according to a Japanese Ministry of Finance report, only about 10 of approximately 6,400 consumer finance companies have loan rates of less than 29.2%. This means that most firms, with the exception of the major firms, have had to quickly lower their loan rates and their costs. Consequently, we expect this will spur a shakeout among medium-sized consumer finance companies encountering difficulties in stably raising funds, leading to industry reorganization. We view this situation as a grand opportunity to further our growth and are moving ahead with strategic M&A activities. We have already acquired 100% of the assets of the medium-sized Rich Co., Ltd. (¥61.5 billion in loans outstanding at March 31, 2000), and Shinkou Co., Ltd. (¥31.7 billion in loans outstanding at March 31, 2000). Under the framework of the revised Contributions Law, we will use our extensive expertise to enhance the profitability of these companies and thereby increase the financial performance of the entire Promise Group.

\* Also known as the Capital Subscriptions Law, this law pertains to the regulation of loans, deposits, and interest rates. In December 1999, the law was revised to set the maximum annual interest rate at 29.2% for businesses engaged in moneylending. Any lender contracting or receiving interest at a rate in excess of 29.2% is subject to up to three years' imprisonment or a ¥3 million fine. The revised law was effective from June 1, 2000.

Reductions in Maximum Interest Rates





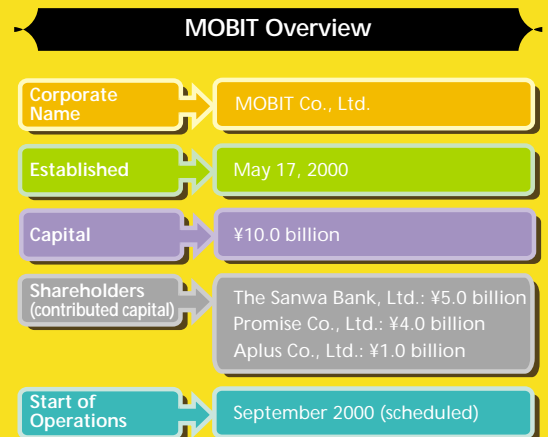
**The new alliance with Sanwa Bank combines Promise's wealth of credit management expertise with Sanwa Bank's brand image and business channel development capabilities. Please comment in more detail on the business objectives of this new venture.**

The primary reason for setting up the new joint venture is to create a new market that could not be cultivated solely through marketing efforts. In other words, this new enterprise is aimed at that segment of consumers that requires funds but does not wish to use a consumer finance company to procure them. In our survey of salaried employees, one in two respondents answered that "Although I require funds, I do not wish to borrow from a consumer finance company." This indicates that the potential market for this new venture comprises nearly half of all salaried employees. Accordingly, the leveraging of Sanwa Bank's brand image as well as its national network of branches and automated teller machines (ATMs) puts the venture in a very strong position to create a significant level of new demand. Although, at present, the size of this market cannot be definitely stated, the venture will certainly reap the benefits of being the pioneering force in this untapped market segment.



The name of the venture—MOBIT—is a combination of the "mo" from "money," "mobile," and "bit," from the smallest digital unit. As a truly branchless enterprise, MOBIT allows consumers the convenience of applying for loans over the Internet and by telephone as well as through new multimedia terminals installed in convenience stores and other easily accessible locations. Furthermore, as the existing ATMs of both Promise and Sanwa Bank may be used for loan withdrawal and repayment, MOBIT is well positioned to achieve superior cost efficiency and profitability.

In addition to reaping the brand image benefits of our alliance with Sanwa Bank, MOBIT, as the name suggests, is envisioned as utilizing advances in new technologies, in particular IC cards. I am confident that, backed by the cooperative efforts of Promise and Sanwa Bank, MOBIT will emerge as the efficiency and service speed leader in the field of financing solutions delivered using advanced technologies.





**Promise has introduced a new VI program and revamped its corporate logo. As part of this, the Company has placed signage bearing the new logo at all of its branch locations and carried out a highly visible television advertising campaign. What tangible results have these efforts produced? In addition, what is the objective and what have been the results of the Promise-JCB credit card launched in June 1999?**



The decision to introduce the new VI program was based on the result of a number of surveys. These surveys revealed that, while Promise enjoyed a high level of brand awareness, exceeding 90%,\* the Company's recall factor was unsatisfactory.\*\* Thus, we recognized that strengthening the Promise brand image was of paramount importance. The results of the new Promise VI program can clearly be seen in the figures. For example, in the April-June 1999 quarter, the number of new customers fell 11.1% from the same period of the previous year. Just prior to that, in January 1999 we had initiated a six-month program to change all of our signage. To leverage the results of this effort, we immediately launched an aggressive television advertising campaign, aimed at first-time customers, that centered on the new yellow and black Promise logo. As a result, the number of new customers showed

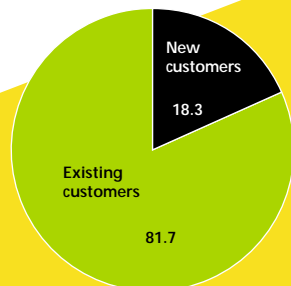
a sustained increase, rising 16.8% in the nine months from July 1999 through March 2000. Furthermore, the number of loan applications showed a strong rise during the same period, clearly demonstrating the effectiveness of the new VI program. Looking ahead, we intend to use strategic advertising and public relations activities to extend and heighten the power of the Promise brand.

The appeal of the new Promise-JCB credit card is that it provides enhanced user convenience by adding a credit card component to the cash-advance capabilities of the Promise card. The Promise-JCB credit card has proven to be highly popular among its target users—existing Promise card holders—as illustrated by this customer group's 81.7% sign-up ratio during the period from the card's launch in June 1999 through the end of March 2000. Boosted by the Promise-JCB credit card's renewal rate, our total card carryover rate\*\*\* showed a solid rise. So, it is obvious that the Promise-JCB credit card enjoys a high level of sustained use among existing users, which, in turn, translates into a higher balance of loans outstanding.

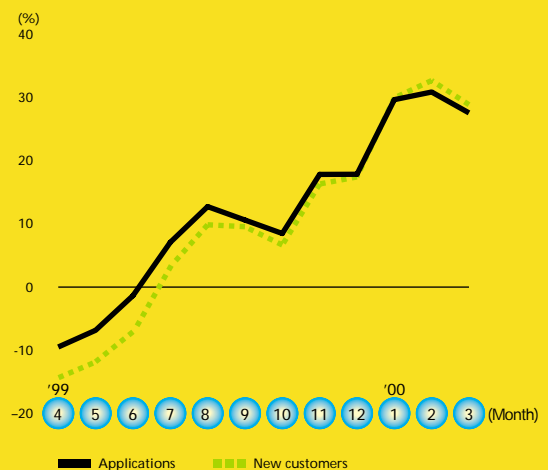
- \* Percentage of those answering "Yes" to the survey question "Are you aware of the company Promise?"
- \*\* Percentage of those naming Promise in the survey question "Please name all the consumer finance companies that you know."
- \*\*\* One-year carryover rate calculated as the ratio of current loan customers that also received loans in the previous year

### Breakdown of Promise-JCB Credit Card Holders

(At March 31, 2000)  
(%)



### Year-on-Year Changes in Applications and New Customers

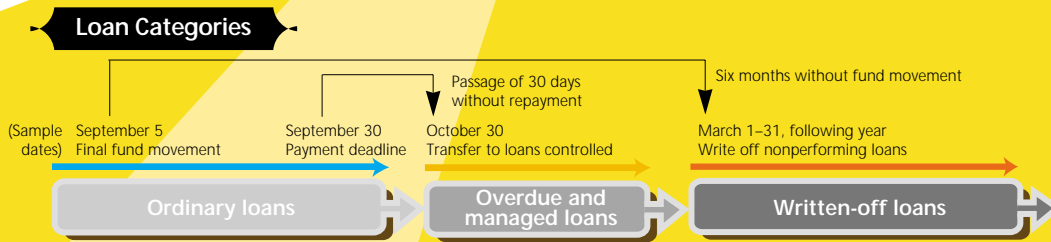






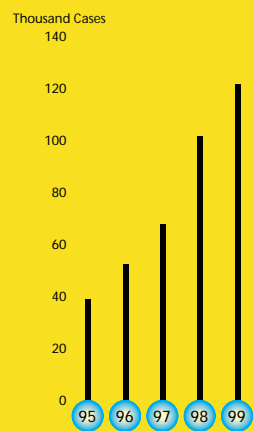
**The annual number of personal bankruptcy filings over the past two years has exceeded 100,000, with filings in 1999 rising 18% from the previous year to approximately 122,000. What steps has Promise taken to minimize the manifestation of this trend as increased credit losses?**

In April 1999, we strengthened the Company's comprehensive system for controlling credit costs by dispatching 100 experienced Tokyo Head Office personnel to branches to provide in-depth credit consultation to Promise customers. These highly trained personnel are responsible for implementing highly proactive measures—ranging from sending late payment notices to actual credit recovery—throughout all stages of the credit recovery process. Moreover, in June 1999 we upgraded our loan system by further refining our credit-scoring system and introducing more rigorous criteria for first-time customers applying for loans. In addition, as part of our ongoing efforts to prevent loans from becoming nonperforming, we now conduct a quarterly review of each customer's credit status. As a result of these measures, although the national number of personal bankruptcy filings has increased significantly, Promise's unsecured loan loss ratio fell from 2.81% at March 31, 1999 to 2.72% at March 31, 2000. So, it is evident that even though there has been a sharp rise in personal bankruptcies, our rigorous credit-scoring system and highly precise loan management policies allow us to maintain a loan loss ratio lower than the industry average.



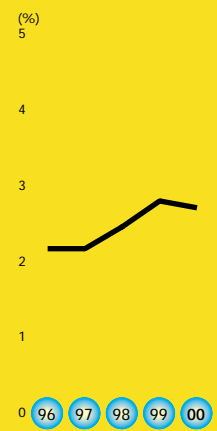
Note: Troubled receivables other than those abandoned due to death or personal bankruptcy continue to be managed.

**Number of Personal Bankruptcies**



(Years ended December 31)  
Source: Supreme Court of Japan

**Unsecured Loan Loss Ratio**





**Previously, consumer finance companies could not issue corporate bonds to procure funds for the purpose of making loans. However, the Nonbank Bond Issuing Law,\* which went into effect in May 1999, eliminates such restrictions. How has Promise revised its fund procurement methods in light of this development?**



Without a doubt, the enactment of the Nonbank Bond Issuing Law in 1999 greatly reshaped the fund procurement environment for major consumer finance companies. As a result, Promise is shifting more and more toward direct fund procurement through the issue of corporate bonds. At the end of March 1999, the Company's balance of bonds outstanding was ¥60.0 billion. However, in the fiscal year ended March 31, 2000, we issued an additional ¥125.0 billion worth of bonds. Moreover, we issued these bonds with staggered maturities of 5, 6, 7, and 10 years, so that our redemption obligations are not concentrated in a single term.

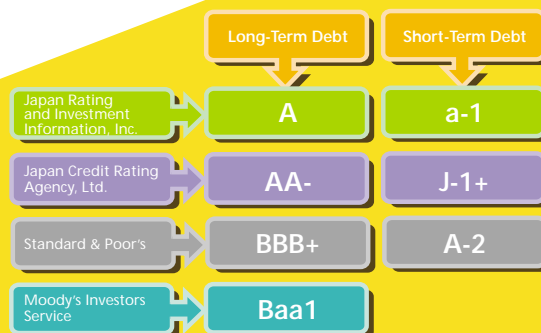
Furthermore, our issue of corporate bonds, coupled with the repayment of debt, resulted in our direct financing ratio rising from 8.3% at the end of the fiscal year ended March 31, 1999, to 21.3% at the end of the fiscal year ended March 31,

2000. Our aim is to increase this ratio to 30% and establish a fund procurement system that provides long-term stability and allows us to utilize a wide range of procurement methods. Another fund procurement strategy that we have aggressively pursued is to increase the amount of fixed-rate borrowing from financial institutions to take advantage of current low interest rates. This has had the effect of substantially reducing our exposure to the risk of rising interest rates. Consequently, at the end of the fiscal year ended March 31, 2000, the Company's actual fixed ratio\*\* stood at 86.6%.

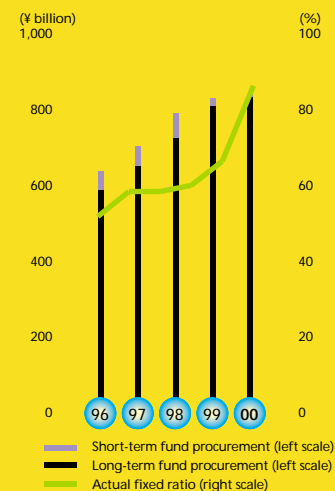
\* Effective May 20, 1999, the Nonbank Bond Issuing Law pertains to the issue of corporate bonds by moneylenders to raise funds for use in their lending activities. Previously, the Contributions Law prohibited nonbank financial companies from issuing corporate bonds to procure funds for the purpose of making loans. The Nonbank Bond Issuing Law eliminates this prohibition for companies with capital of ¥1.0 billion or more, which meet specific disclosure standards and other such criteria.

\*\* Actual fixed ratio = [long-term borrowings at fixed interest rates + long-term borrowings with interest rate swaps and caps + straight bonds + convertible bonds] ÷ total fund procurement

### Promise's Ratings by Mainstay Rating Agencies



### Fund Procurement





## **How is Promise extending its business capabilities to ensure it is not overtaken by rapidly evolving Internet enterprises? Could you also tell us about other business plans?**

We keenly understand the importance of developing and implementing IT-driven business strategies. For example, in June 1998 we established a Web site that has a virtual branch called Cybershop Promise. Offering customers the convenience of applying for loans and checking loan balances on-line, Cybershop Promise has proved to be highly popular among consumers, illustrated by the 150,000-plus hits it receives every month. In addition, in October 1999 we made Cybershop Promise accessible via NTT DoCoMo Inc.'s fast-growing, mobile phone-based i-mode service to meet the needs of an increasingly mobile population. Looking ahead, we are preparing to extend the capabilities of Cybershop Promise to include concluding loan agreements, rather than just the processing of applications, once the legal framework required for digital signatures and digital authentication is in place. Our goal is to make time and place irrelevant to the use of Promise's growing portfolio of consumer finance solutions, which will certainly result in an expanded customer base. As part of our drive to realize this concept, in April 2000 we established an Internet business related department dedicated to establishing and managing the required infrastructure. In addition, we have launched an aggressive advertising program, including an alliance with @nifty in the area of Internet banner advertising.

Moreover, to achieve new growth we are looking for ways to further diversify within the consumer finance industry. For some time, we have been developing plans to enter the servicer\* business by leveraging the wealth of lending and credit management expertise we have amassed as one of Japan's leading consumer finance companies. As a result, we are well ahead of the competition in having the necessary operations and strategies in place to meet the wave of demand that will be unleashed once the laws are revised to include nonperforming consumer finance loans within the scope of servicer operations. As these efforts show, we are committed to our management principle of speedy strategy execution and wisely seizing attractive business opportunities.



\* A servicer is a person or company specializing in credit recovery. On February 1, 1999, the Servicer Law, which pertains to the credit recovery business, was enacted. The law eliminated the prohibition of private companies from engaging in credit recovery, an activity that previously only attorneys had been permitted to do.

## Unsecured Loan Business (Non-Consolidated Basis)

In its mainstay unsecured loan business, Promise focuses on meeting the financial needs of consumers with stable incomes by providing them with immediate access to funds by employing a thorough credit-screening process that requires a minimal amount of time. Looking at Promise's core market segment, 72.3% of all new customers are male. By age, 45.4% of new customers were in their 20s and 22.2% in their 30s. In other words, over 65% of new Promise cus-



tomers are under 40. Promise focuses on wage earners with annual incomes of less than ¥7 million—a group that comprises more than 80% of Japan's workforce.

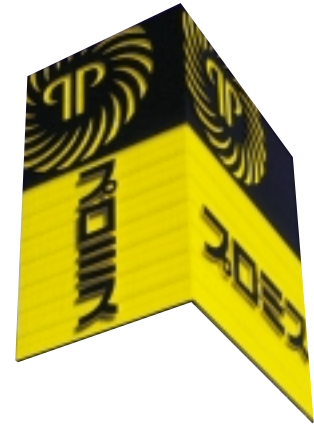
At March 31, 2000, the number of Promise customers totaled approximately 2,381 thousand and the balance of unsecured loans outstanding amounted to ¥1,093.7 billion, surpassing the ¥1 trillion mark for the first time in the Company's history. Boosted by reaching this milestone, total operating income on a non-consolidated basis jumped 11.2%, to ¥265.0 billion. Regarding expenses, Promise lowered its financing costs by aggressively issuing

corporate bonds, which offer procurement cost advantages over borrowing in a low market interest rate environment. This, coupled with reduced loan loss expenses resulting from strengthened credit management, contributed significantly to a substantial rise in net income. Net income swelled 42.5%, to ¥57.2 billion, and net income per share jumped 38.9%, to ¥475.8.

One of the primary factors driving this strong financial performance in the year ended March 31, 2000, was the resounding success of the new VI program in attracting a substantial number of new customers. The effects of eye-catching, new signage at branches, combined with the effect of an aggressive television advertising campaign, resulted in a significant increase in consumer awareness of Promise as the consumer finance company with the distinctive yellow and black corporate logo. Consequently, Promise enjoyed a significant increase in the number of customers



from the previous fiscal year. Continuing a trend that began in July 1999, the number of new customers rose 8.9%, to 430,000 people, from the previous fiscal year. This reversed a two-year



period during which the number of new customers registered year-on-year declined. Other contributing factors were the success of Promise's ongoing efforts to increase the Company's outstanding loan balance of existing customers as well as such efforts to attract new customers as expanding the network of unstaffed branches equipped with unsecured loan machines, extending its operating hours, and expanding its network of ATMs and tie-up cash dispensers (CDs). With a view to creating ongoing relationships with customers, in June 1999 the Company began issuing



Promise-JCB credit cards to build upon the convenience offered by the existing Promise card. Indicative of the strong customer interest in the Promise-JCB credit card's added convenience and flexibility, at March 31, 2000, the number of people issued cards totaled approximately 89,000, 81.7% of whom were existing customers.

To better contend with such social trends as the increase in the number of personal bankruptcies, Promise substantially revised its credit evaluation system. Implemented in June 1999, this upgraded system reflects the results of analyses of current bad debt ratios, thereby allowing the Company to take aggressive steps to manage its credit portfolio and control credit losses. In addition, Promise worked to reduce loan-loss expenses by strengthening its credit administration capabilities. Steps included strengthening the system for controlling credit costs. This involved dispatching 100 Tokyo Head Office staff to branches to better respond to customer requests for credit consultation.

*Please refer to page 12–19 for specific data on consumer loan business activities.*



## Other Business Operations (Consolidated Basis)

Promise uses its accumulated know-how in consumer finance—its mainstay business—in domestic and overseas finance-related areas.

The Company has a total of four consolidated subsidiaries in Japan. These companies offer a wide variety of services, most of which support the business operations of the parent company. Among the subsidiaries in Japan are GC Co., Ltd., a credit card company that also offers convenient credit card cash advance services; PAL Research Center Co., Ltd., which conducts credit surveys; Net Future Co., Ltd., which operates and manages tie-up ATMs and other advanced computer-based financial systems; and PAL Corporation Ltd., which provides real estate sale and brokerage services.

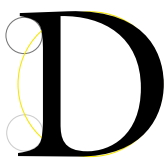


Outside of Japan, Promise seeks to firmly establish operations that leverage its expertise gained as one of Japan's leading consumer finance companies. In February 1992, Promise established PROMISE (HONG KONG) CO., LTD., thereby becoming the first Japanese consumer finance company to enter the



Hong Kong market. This venture has been highly successful in meeting the financing needs of consumers in Hong Kong, demonstrating the exportability of the Company's highly successful business model, as used in Japan, to other markets. Upon receiving approval to engage in the nonbank lending business in Taiwan, in August 1989 Promise established Liang Jing Co., Ltd., to engage in the financing of installment sales, primarily of automobiles. In 1991, Promise established Yuukei Co., Ltd., as a subsidiary. Since then, Liang Jing and Yuukei have become two of the leading companies in Taiwan in this highly competitive field.





## Data Section (Non-Consolidated Basis)

### Business Indicators

#### Number of Customers

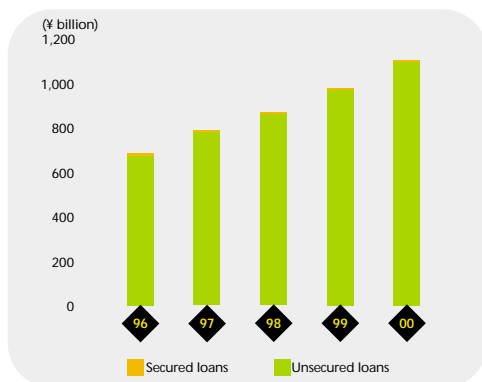
(Thousands)



	1996/3	1997/3	1998/3	1999/3	2000/3
Number of customers	1,797	1,992	2,136	2,242	<b>2,384</b>
Year-on-year growth (%)	13.9	10.9	7.2	5.0	<b>6.3</b>
Unsecured loans	1,795	1,991	2,135	2,240	<b>2,381</b>
Secured loans	1	1	1	2	<b>2</b>

#### Consumer Loans Outstanding

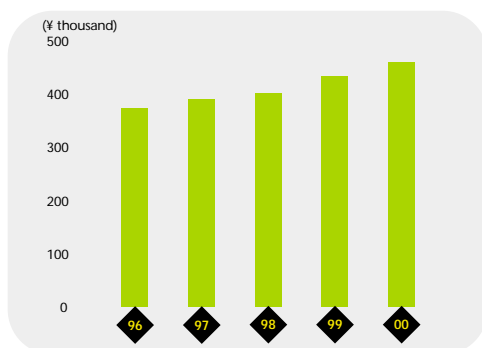
(¥ million)



	1996/3	1997/3	1998/3	1999/3	2000/3
Consumer loans outstanding	682,065	784,201	866,633	976,613	<b>1,100,546</b>
Year-on-year growth (%)	15.3	15.0	10.5	12.7	<b>12.7</b>
Unsecured loans	670,584	775,160	858,225	967,880	<b>1,093,725</b>
Year-on-year growth (%)	16.2	15.6	10.7	12.8	<b>13.0</b>
Secured loans	11,480	9,041	8,408	8,733	<b>6,820</b>
Year-on-year change (%)	-20.5	-21.2	-7.0	3.9	<b>-21.9</b>

#### Unsecured Loans Outstanding per Customer

(¥ thousand)

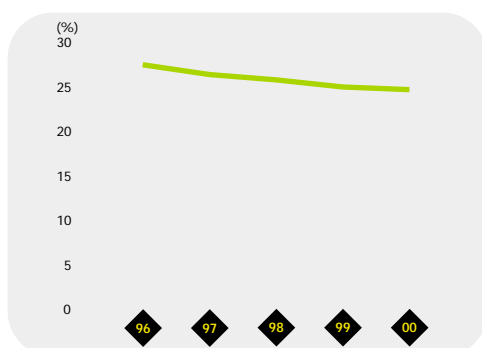


	1996/3	1997/3	1998/3	1999/3	2000/3
Unsecured loans outstanding per customer	373	389	401	432	<b>459</b>

Note: Unsecured loans outstanding per customer =  
unsecured loans outstanding (term-end) ÷ the number of customers (term-end)

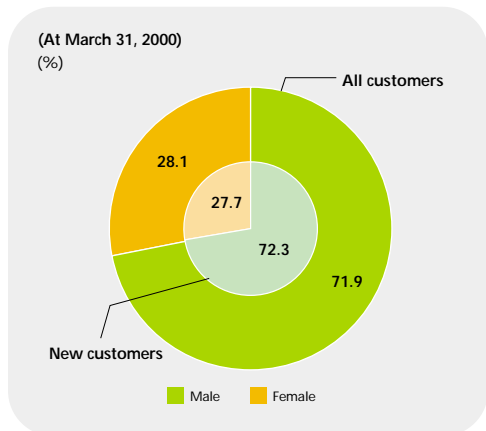
#### Actual Average Yield of Unsecured Loans

(%)



	1996/3	1997/3	1998/3	1999/3	2000/3
Actual average yield of unsecured loans	27.4	26.3	25.7	24.9	<b>24.6</b>

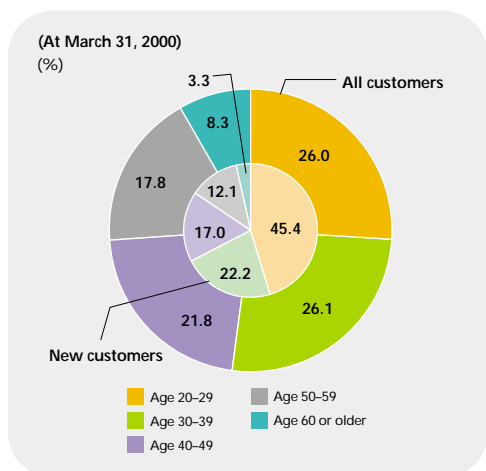
### Number of Customers, by Gender



(Thousands)

	1996/3	1997/3	1998/3	1999/3	2000/3
All customers	1,795	1,991	2,135	2,240	<b>2,381</b>
Male	1,270	1,421	1,533	1,611	<b>1,712</b>
Female	524	569	602	629	<b>669</b>
New customers	445	470	420	395	<b>430</b>
Male	331	352	312	289	<b>311</b>
Female	113	118	107	105	<b>119</b>

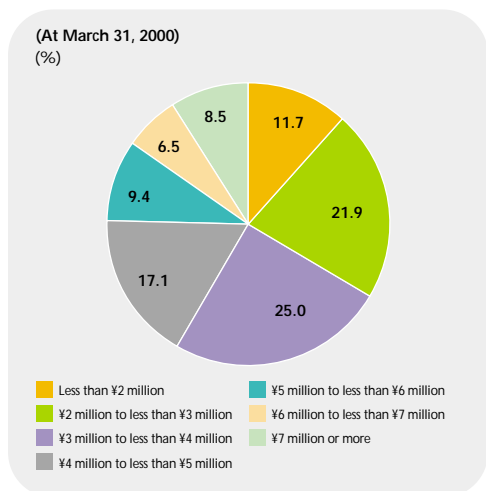
### Number of Customers, by Age



(Thousands)

	1996/3	1997/3	1998/3	1999/3	2000/3
All customers	1,795	1,991	2,135	2,240	<b>2,381</b>
Age 20-29	456	529	572	592	<b>619</b>
Age 30-39	444	495	541	577	<b>622</b>
Age 40-49	466	499	506	509	<b>518</b>
Age 50-59	289	313	346	381	<b>424</b>
Age 60 or older	138	153	168	178	<b>196</b>
New customers	445	470	420	395	<b>430</b>
Age 20-29	198	221	200	185	<b>195</b>
Age 30-39	102	108	94	89	<b>95</b>
Age 40-49	89	90	76	69	<b>73</b>
Age 50-59	44	41	39	41	<b>52</b>
Age 60 or older	10	9	8	9	<b>14</b>

### Number of New Customers, by Annual Income

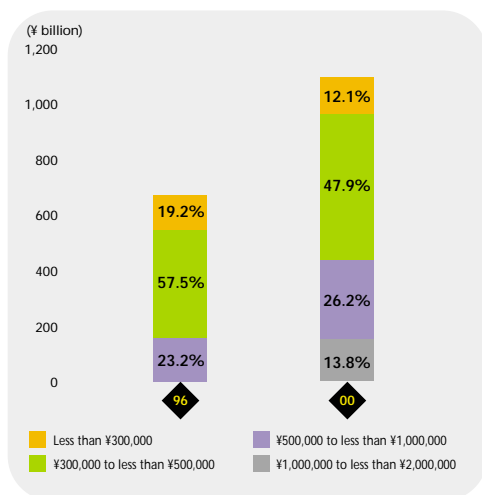


(Thousands)

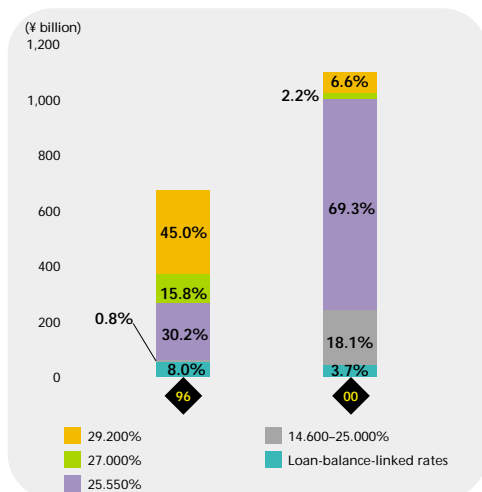
	1996/3	1997/3	1998/3	1999/3	2000/3
New customers	445	470	420	395	<b>430</b>
Less than ¥2 million	29	37	39	42	<b>50</b>
¥2 million to less than ¥3 million	91	97	89	84	<b>94</b>
¥3 million to less than ¥4 million	115	121	106	99	<b>107</b>
¥4 million to less than ¥5 million	84	87	75	69	<b>73</b>
¥5 million to less than ¥6 million	47	49	42	38	<b>40</b>
¥6 million to less than ¥7 million	33	33	29	26	<b>27</b>
¥7 million or more	43	43	37	34	<b>36</b>

Customers with annual incomes of up to ¥7 million accounted for slightly more than 90% of all new accounts. Of the 45.2 million private-sector wage earners in Japan, approximately 37.3 million fall into this income range (National Tax Administration Agency data, 1997), indicating substantial latent demand.

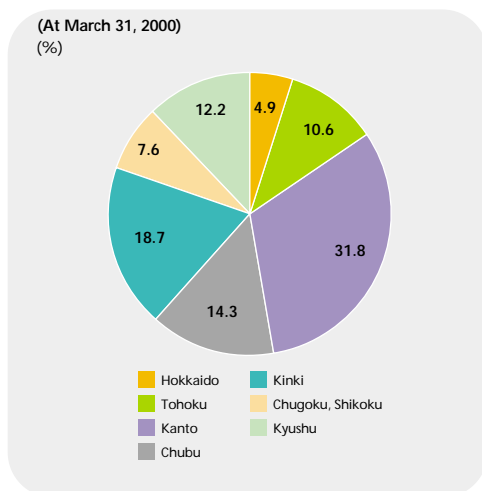
## Unsecured Loans Outstanding, by Amount of Account



## Unsecured Loans Outstanding, by Interest Rate



## Unsecured Loans Outstanding, by Area



(¥ million)

	1996/3	1997/3	1998/3	1999/3	2000/3
Unsecured loans outstanding	670,584	775,160	858,225	967,880	1,093,725
Less than ¥300,000	129,189	123,247	122,087	122,882	132,653
¥300,000 to less than ¥500,000	385,539	463,786	513,200	515,802	523,353
¥500,000 to less than ¥1,000,000	155,854	188,126	222,936	264,592	286,740
¥1,000,000 to less than ¥2,000,000	—	—	—	64,601	150,977

Although the percentage of accounts with outstanding balances greater than ¥500,000 has risen over the years—due to an increase in the number of customers with superior credit ratings who have been provided with comparatively high credit lines—overall, the rate of unsecured loans outstanding per account has been kept low.

(¥ million)

	1996/3	1997/3	1998/3	1999/3	2000/3
Unsecured loans outstanding	670,584	775,160	858,225	967,880	1,093,725
Flat rates					
29.200%	302,046	196,875	135,153	96,302	72,475
27.000%	105,696	70,442	49,512	32,963	23,628
25.550%	203,172	433,896	580,961	685,357	758,304
25.000%	5,787	5,140	4,442	3,296	2,676
23.900%	—	—	—	12,708	29,324
22.995%	—	11,766	31,288	67,662	115,310
14.600-21.900%	—	—	—	21,496	51,055
Loan-balance-linked rates					
23.200-29.200% (Plan 1)	41,858	32,335	25,302	18,163	14,023
23.725-25.550% (Plan 2)	11,625	15,674	16,572	15,107	13,880
22.675-25.550% (Plan 3)	—	8,634	14,588	14,008	11,847
Other	397	394	402	813	1,200

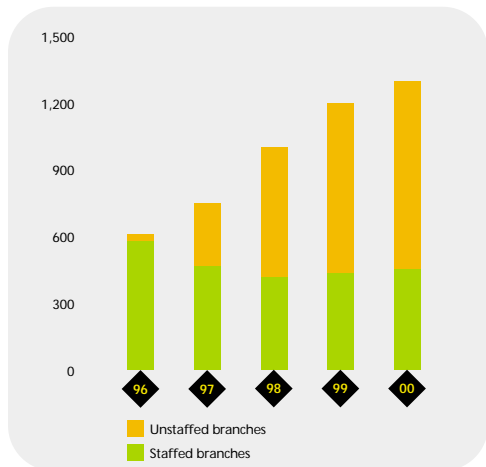
Note: Loan-balance-linked rates are applied to unsecured loans according to the amount of the loan outstanding. The table above shows weighted annual average figures.

(¥ million)

	1996/3	1997/3	1998/3	1999/3	2000/3
Unsecured loans outstanding	670,584	775,160	858,225	967,880	1,093,725
Hokkaido	35,095	40,814	44,745	49,382	53,072
Tohoku	69,589	80,141	90,284	102,239	115,759
Kanto	203,501	238,136	266,070	304,699	347,844
Chubu	96,916	111,059	122,056	137,275	156,795
Kinki	125,550	144,348	157,481	178,294	204,026
Chugoku, Shikoku	52,640	59,638	65,717	73,275	82,930
Kyushu	87,291	101,021	111,869	122,713	133,297



## Number of Branches



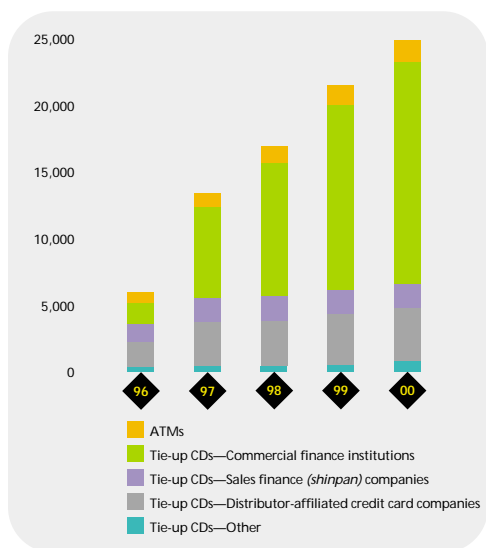
	1996/3	1997/3	1998/3	1999/3	2000/3
Number of branches	623	760	1,015	1,207	<b>1,299</b>
Unsecured loan branches	609	748	1,003	1,201	<b>1,299</b>
Staffed branches	579	467	418	435	<b>451</b>
Unstaffed branches	30	281	585	766	<b>848</b>
Secured loan branches	4	2	2	2	—
Audio & video software rental	8	8	7	—	—
Outdoor and leisure goods	2	2	3	4	—
Number of automated credit providers	273	695	977	1,164	<b>1,258</b>

Due to aggressive efforts to install additional unstaffed, low-operating-cost branches, at March 31, 2000, more than 65% of all branches providing unsecured loans were unstaffed branches.

### Operating hours:

Staffed branches:	Weekdays:	9:30 a.m. to 6:00 p.m.
	Weekends and holidays:	Closed
Unstaffed branches:	Weekdays:	9:00 a.m. to 8:00 p.m.
	Weekends and holidays:	9:00 a.m. to 6:00 p.m.

## Number of ATMs and Tie-Up CDs

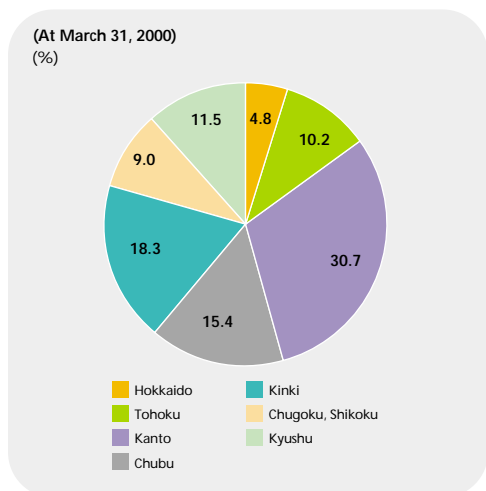


	1996/3	1997/3	1998/3	1999/3	2000/3
Number of ATMs and tie-up CDs	5,949	13,400	17,037	21,475	<b>24,843</b>
ATMs	817	1,056	1,335	1,511	<b>1,590</b>
Tie-up CDs	5,132	12,344	15,702	19,964	<b>23,253</b>
Commercial finance institutions	1,376	6,778	9,911	13,830	<b>16,715</b>
Sales finance ( <i>shinpan</i> ) companies	1,572	1,871	1,920	1,844	<b>1,729</b>
Distributor-affiliated credit card companies	1,825	3,310	3,435	3,769	<b>4,048</b>
Other	359	385	436	521	<b>761</b>
Repayment					
Convenience stores (FamilyMart)	—	—	—	5,280	<b>5,532</b>

### Tie-up CD affiliates as of March 31, 2000

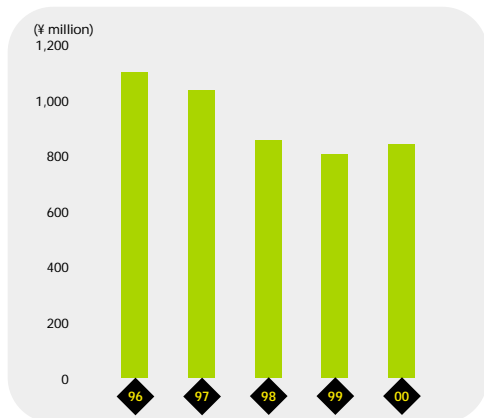
Type of Institution	Number of Affiliates	Main Affiliates
Commercial finance institutions	63	Chuo Mitsui Trust and Banking North Pacific Bank
Sales finance ( <i>shinpan</i> ) companies	7	Nippon Shinpan Central Finance
Distributor-affiliated credit card companies	10	Credit Saison Daiei OMC
Other	4	Tokyo City Finance

## Number of Unsecured Loan Branches, by Area



	1996/3	1997/3	1998/3	1999/3	2000/3
Unsecured loan branches	609	748	1,003	1,201	<b>1,299</b>
Hokkaido	36	40	50	58	<b>63</b>
Tohoku	57	88	113	131	<b>132</b>
Kanto	194	226	305	365	<b>399</b>
Chubu	92	114	147	191	<b>200</b>
Kinki	113	127	176	213	<b>238</b>
Chugoku, Shikoku	47	62	90	102	<b>117</b>
Kyushu	70	91	122	141	<b>150</b>

## Unsecured Loans Outstanding per Branch

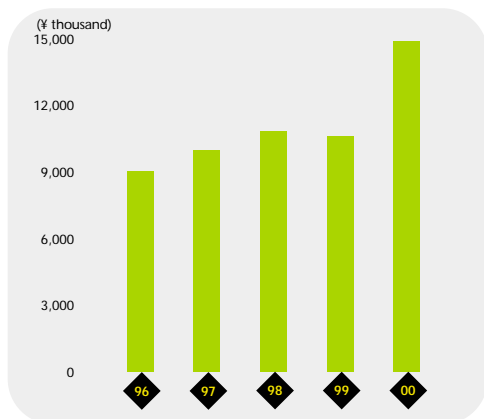


(¥ million)

	1996/3	1997/3	1998/3	1999/3	2000/3
Unsecured loans outstanding per branch	1,101	1,036	855	805	<b>841</b>

Note: Unsecured loans outstanding per branch =  
unsecured loans outstanding (term-end) ÷ the number of unsecured loan branches (term-end)

## Net Income per Employee



	1996/3	1997/3	1998/3	1999/3	2000/3
Number of employees	3,364	3,402	3,482	3,692	<b>3,847</b>
Male	1,941	1,974	2,010	2,118	<b>2,205</b>
Female	1,423	1,428	1,472	1,574	<b>1,642</b>
Loans outstanding per employee (¥ million)	202	230	248	264	<b>286</b>
Net income per employee (¥ thousand)	9,146	10,197	11,105	10,881	<b>14,878</b>

Notes: 1) Part-time, temporary, and seconded employees are not included in the above figures.  
2) Loans outstanding per employee = consumer loans outstanding (term-end) ÷ number of employees (term-end)  
3) Net income per employee = net income ÷ number of employees (term-end)

At March 31, 2000, the average age of employees was 32.2 years (36.0 for males and 27.2 for females), while the average period of continuous service was 8.2 years (11.1 for males and 4.4 for females).

## Industry Data

### New Consumer Loans, by Type of Lender

(¥100 million, %)

	1994/12	YOY	1995/12	YOY	1996/12	YOY	1997/12	YOY	1998/12	YOY
Consumer credit	707,370	3.1	728,595	3.0	756,177	3.8	765,205	1.2	760,811	-0.6
Sales on credit	285,062	2.2	300,608	5.5	322,020	7.1	330,416	2.6	330,469	0.0
Consumer finance	422,308	3.8	427,987	1.3	434,157	1.4	434,789	0.1	430,342	-1.0
Of which, consumer loans	199,065	2.3	210,906	5.9	220,522	4.6	230,077	4.3	232,100	0.9
Commercial finance institutions	66,144	-0.8	63,037	-4.7	58,544	-7.1	55,521	-5.2	49,343	-11.1
Consumer finance companies (including Promise)	56,728	12.5	66,103	16.5	75,886	14.8	83,550	10.1	91,404	9.4
Sales finance ( <i>shinpan</i> ) companies	34,161	-3.4	37,003	8.3	38,784	4.8	39,553	2.0	37,285	-5.7
Bank-affiliated credit card companies	25,430	-3.1	26,803	5.4	28,151	5.0	29,925	6.3	31,294	4.6
Distributor-affiliated credit card companies	7,908	8.1	8,850	11.9	9,770	10.4	11,763	20.4	12,849	9.2
Others	8,694	3.0	9,110	4.8	9,387	3.0	9,765	4.0	9,925	1.6

Note: "YOY" stands for year-on-year percentage increase or decrease.  
Source: Japan Credit Industry Association, *Japan Credit Industry Statistics 2000*

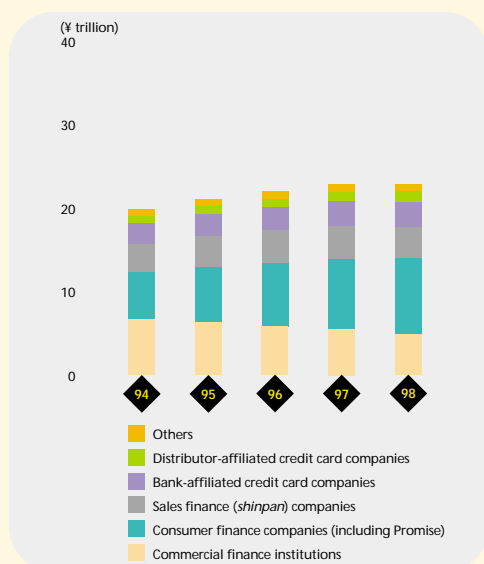
### Consumer Loans Outstanding, by Type of Lender

(¥100 million, %)

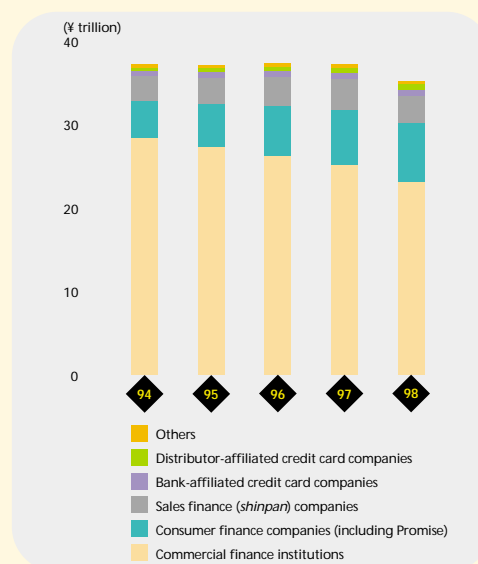
	1994/12	YOY	1995/12	YOY	1996/12	YOY	1997/12	YOY	1998/12	YOY
Consumer credit	749,110	1.1	748,005	-0.1	752,407	0.6	743,335	-1.2	709,823	-4.5
Sales on credit	170,164	2.0	177,166	4.1	182,892	3.2	182,621	-0.1	171,535	-6.1
Consumer finance	578,946	0.8	570,839	-1.4	569,515	-0.2	560,714	-1.5	538,288	-4.0
Of which, consumer loans	372,432	-2.0	372,017	-0.1	374,035	0.5	372,867	-0.3	355,959	-4.5
Commercial finance institutions	283,765	-4.3	272,482	-4.0	262,502	-3.7	251,897	-4.0	231,478	-8.1
Consumer finance companies (including Promise)	44,982	12.5	52,082	15.8	59,634	14.5	65,179	9.3	71,371	9.5
Sales finance ( <i>shinpan</i> ) companies	29,164	-0.4	31,807	9.1	34,968	9.9	37,278	6.6	33,387	-10.4
Bank-affiliated credit card companies	6,159	-4.3	6,434	4.5	6,910	7.4	7,477	8.2	7,848	5.0
Distributor-affiliated credit card companies	4,149	6.3	4,840	16.7	5,415	11.9	6,173	14.0	6,953	12.6
Others	4,213	0.8	4,372	3.8	4,606	5.4	4,863	5.6	4,922	1.2

Note: "YOY" stands for year-on-year percentage increase or decrease.  
Source: Japan Credit Industry Association, *Japan Credit Industry Statistics 2000*

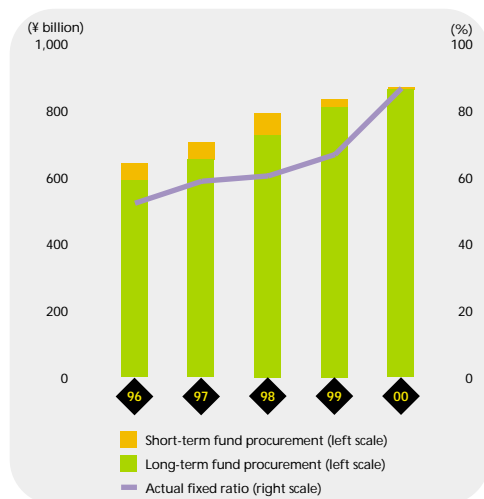
### New Consumer Loans, by Type of Lender



### Consumer Loans Outstanding, by Type of Lender



## Fund Procurement

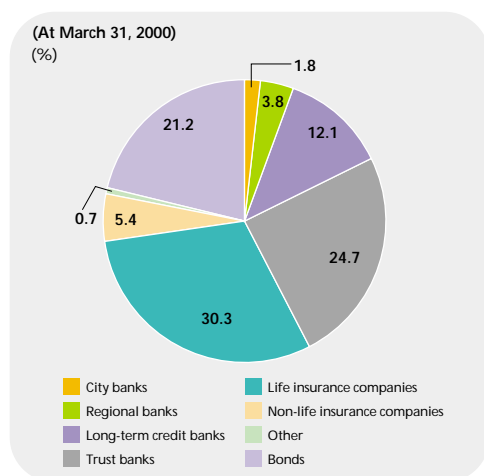


	1996/3	1997/3	1998/3	1999/3	2000/3
Total fund procurement (interest-bearing debt)	641,729	706,111	792,473	834,048	<b>869,676</b>
Short-term fund procurement	51,731	53,000	64,800	22,800	<b>6,400</b>
Ratio of short-term fund procurement (%)	8.1	7.5	8.2	2.7	<b>0.7</b>
Short-term borrowings	51,731	53,000	44,800	22,800	<b>6,400</b>
Commercial paper	—	—	20,000	—	—
Long-term fund procurement	589,997	653,111	727,673	811,248	<b>863,276</b>
Ratio of long-term fund procurement (%)	91.9	92.5	91.8	97.3	<b>99.3</b>
Long-term borrowings	579,997	633,111	688,742	742,317	<b>678,276</b>
Fixed interest rate	224,092	349,594	438,826	474,206	<b>436,504</b>
Variable interest rate	355,905	283,516	249,916	268,111	<b>241,772</b>
Of which, interest rate swaps and caps	100,000	45,000	—	12,840	<b>141,720</b>
Straight bonds	—	10,000	30,000	60,000	<b>185,000</b>
Convertible bonds	10,000	10,000	8,930	8,930	—
Actual fixed ratio (%)	52.1	58.7	60.3	66.7	<b>86.6</b>
Average interest rate on fund procurement	3.47	3.00	2.68	2.56	<b>2.40</b>

Notes: 1) Actual fixed ratio = [long-term borrowings at fixed interest rates + long-term borrowings with interest rate swaps and caps + straight bonds + convertible bonds] ÷ total fund procurement  
 2) Figures include interest on bonds and commercial paper but exclude commission payments on interest rate swaps and caps.

The Company procures long-term borrowings at fixed interest rates, taking into account market interest rates. At March 31, 2000, the Company's actual fixed ratio stood at 86.6%, including corporate bonds.

## Fund Procurement, by Category



	1996/3	1997/3	1998/3	1999/3	2000/3
Total borrowings	631,729	686,111	733,542	765,117	<b>684,676</b>
City banks	31,960	31,310	25,745	20,447	<b>15,460</b>
Regional banks	27,923	37,122	40,590	45,274	<b>33,104</b>
Long-term credit banks	90,748	99,948	104,948	108,224	<b>105,204</b>
Trust banks	166,804	189,200	196,185	210,907	<b>214,783</b>
Non-Japanese banks	12,531	9,000	24,000	29,000	<b>2,260</b>
Credit associations	1,000	2,000	2,000	2,000	<b>1,520</b>
Life insurance companies	258,057	272,730	286,955	287,588	<b>263,327</b>
Non-life insurance companies	41,705	44,100	52,419	58,477	<b>46,678</b>
Leasing, finance and other companies	1,000	700	700	3,200	<b>2,340</b>
Corporate bonds and other	10,000	20,000	58,930	68,930	<b>185,000</b>
Straight bonds	—	10,000	30,000	60,000	<b>185,000</b>
Convertible bonds	10,000	10,000	8,930	8,930	—
Commercial paper	—	—	20,000	—	—

Since 1996, the Company has issued corporate bonds and commercial paper to diversify its fund procurement sources. At March 31, 2000, corporate bonds and other (funds procured directly from capital markets) as a percentage of total fund procurement was 21.3%.

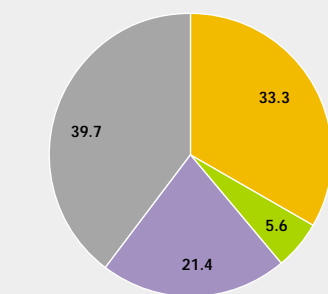
## Bond Issues

Type	Date Issued	Face Amount (¥ million)	Maturity Date	Coupon Rate (%)	Rating	Purpose
Straight bonds	Jan. 28, 1997	10,000	Jan. 28, 2002	2.10	AA- (R&I)	Equipment funding and other
Straight bonds	June 26, 1997	10,000	June 26, 2002	2.60	AA- (R&I)	Equipment funding and other
Straight bonds	Nov. 25, 1997	10,000	Nov. 25, 2002	2.00	AA- (R&I)	Equipment funding and other
Straight bonds	Aug. 27, 1998	10,000	Aug. 27, 2001	2.10	A+ (R&I)	Equipment funding and other
Straight bonds	Sept. 4, 1998	10,000	Sept. 4, 2001	2.10	A+ (R&I)	Equipment funding and other
Straight bonds	Dec. 4, 1998	10,000	Dec. 4, 2002	2.05	A+ (R&I)	Equipment funding and other
Straight bonds	May 12, 1999	20,000	May 12, 2004	2.03	A+ (R&I)	Tax funding
Straight bonds	May 26, 1999	10,000	May 26, 2004	1.79	A+ (R&I)	Tax funding and other
Straight bonds	June 17, 1999	10,000	June 17, 2003	1.40	A+ (R&I)	Equipment funding and other
Straight bonds	July 7, 1999	10,000	July 7, 2005	2.27	A+ (R&I)	Consumer loans funding
Straight bonds	July 28, 1999	20,000	July 28, 2006	2.51	A+ (R&I)	Consumer loans funding
Straight bonds	Sept. 13, 1999	20,000	Sept. 12, 2003	1.90	A (R&I)	Consumer loans funding
Straight bonds	Nov. 10, 1999	10,000	Nov. 10, 2009	2.95	A (R&I)	Consumer loans funding
Straight bonds	Feb. 15, 2000	15,000	Feb. 15, 2010	2.56	A (R&I) AA- (JCR)	Consumer loans funding
Straight bonds	Mar. 22, 2000	10,000	Mar. 22, 2005	Floating rate note (Six-month yen LIBOR+0.5%)	A (R&I) AA- (JCR)	Consumer loans funding

Note: Ratings are those published by R&I (Japan Rating and Investment Information, Inc.) and JCR (Japan Credit Rating Agency, Ltd.), and as of the respective date issued.

## Composition of Shareholders

(At March 31, 2000)  
(%)



■ Commercial financial institutions  
■ Other corporations  
■ Non-Japanese corporations  
■ Individuals and others

	1996/3	1997/3	1998/3	1999/3	2000/3
Number of shares outstanding at term-end (thousands)	98,528	98,528	108,615	119,615	<b>121,597</b>
Commercial financial institutions	27,548	28,047	33,743	39,007	<b>40,519</b>
Percentage of total (%)	28.0	28.5	31.1	32.6	<b>33.3</b>
Other corporations	8,335	8,434	9,152	7,935	<b>6,836</b>
Percentage of total (%)	8.5	8.6	8.4	6.6	<b>5.6</b>
Non-Japanese corporations	11,395	14,113	16,942	24,095	<b>25,992</b>
Percentage of total (%)	11.6	14.3	15.6	20.1	<b>21.4</b>
Individuals and others	51,248	47,932	48,776	48,575	<b>48,247</b>
Percentage of total (%)	52.0	48.6	44.9	40.6	<b>39.7</b>
Number of shareholders	7,664	6,017	4,407	5,622	<b>7,396</b>



**Operating Results**

Total operating income increased 10.9%, or ¥29,670 million, during the year under review to ¥300,724 million (\$2,833,011 thousand). Consumer loans receivable (principal) expanded 13.0%, to ¥1,159,253 million, which resulted in interest on consumer loans advancing 11.1%, to ¥271,743 million (\$2,559,993 thousand). The actual average yield per annum on unsecured loans to consumers, which accounted for 94.9% of parent company operating loan assets, declined 0.3 percentage point, to 24.6%. The average annual yield on secured loans, on the other hand, rose 3.7 percentage points, to 15.1%. Other operating income increased 32.0%, to ¥15,202 million (\$143,207 thousand), due to a large increase in the amount of previously written-off loans and accompanying interest recovered. Over the past five fiscal years, the Promise Group has reported average annual growth of 10.2% in operating income.

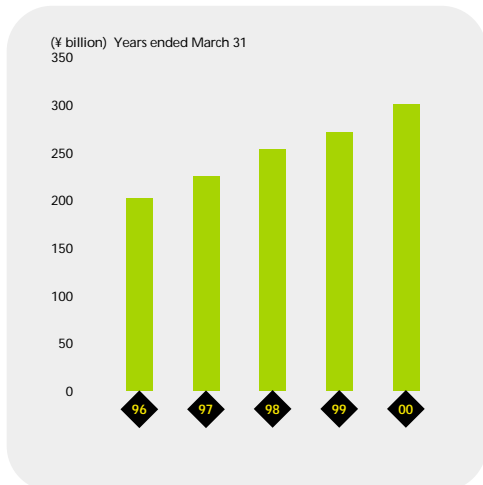
Total operating expenses rose 6.0%, or ¥10,997 million, to ¥194,697 million (\$1,834,167 thousand), well below the rate of operating income growth. The principal reason for this increase was higher general and administrative (G&A) expenses (to be mentioned later), which increased 10.4%, or ¥11,159 million, during the fiscal year, to ¥118,073 million (\$1,112,325 thousand). Financial expenses, which consist almost entirely of interest payments, rose only 3.6%, to ¥23,932 million (\$225,449 thousand), despite the substantial increase in consumer loans outstanding, reflecting lower long-term interest rates. The average interest rate on long-term debt, which accounts for 96.9% of total borrowings (including corporate bonds), fell from 2.684% to 2.534%. The main reasons for the fall were the refinancing of high-interest funds, greater

direct fund-raising activity in capital markets, and an increase in long-term funds. Thus, the ratio of fixed interest rate funds to total borrowings jumped from 64.7%, to 81.9% at the end of March 2000. As market rates are likely to increase from their current extremely low levels, an increase in fixed rate fund procurement will provide a substantial cushion against any future increase in market rates.

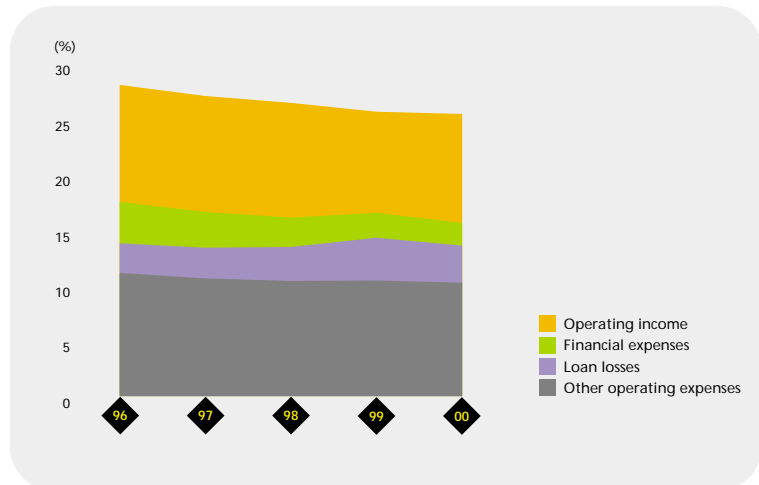
As previously mentioned, in G&A expenses, advertising expenses increased 13.8%, to ¥17,914 million (\$168,761 thousand), due to an aggressive television commercial campaign to promote our new corporate Visual Identity that adopts a distinctive yellow signage. Advertising expenses accounted for 15.2% of G&A expenses. Employees' salary and bonuses, which accounted for 22.2% of G&A expenses, rose 12.9%, to ¥26,183 million (\$246,656 thousand), because of an increase in the number of employees. Rent expenses increased 4.8%, to ¥12,358 million (\$116,418 thousand), and represented 10.5% of G&A expenses. Other G&A expenses advanced 9.6%, to ¥61,618 million (\$580,490 thousand), and accounted for 52.2% of total G&A expenses. In this category, depreciation and amortization rose to ¥9,547 billion, as the burden of depreciation and amortization on prior years' capital expenditures for consumer loan business peaked. In addition, the development of new computer software resulted in commission payments rising to ¥13,085 million.

Allowance for credit losses declined 0.7%, to ¥40,483 million (\$381,367 thousand). Despite the upward trend in personal bankruptcies, measures to strengthen the Company's credit management system saw the balance of allowance for credit losses fall below the level of the previous fiscal year-end.

**Total Operating Income**



**Ratios to Average Consumer Loans Receivable**



As a result of these changes, operating profit rose ¥18,673 million, or 21.4%, to ¥106,027 million (\$998,844 thousand), and the operating profit ratio increased 3.1 percentage points, to 35.3%.

The principal changes in other income and expenses included a ¥2,094 million (\$19,727 thousand) gain on the liquidation of anonymous associations for leveraged leased transactions (Tokumei Kumiai) and a ¥2,163 million (\$20,381 thousand) provision for past service cost of retirement benefits. This move was made to allay investors' concerns about the impact of changes to accounting standards for retirement benefits ahead of their introduction in fiscal 2001. Promise recorded a ¥2,175 million (\$20,486 thousand) net loss on the sales or disposal of property and equipment resulting from the implementation of the VI campaign, while total other expenses, net, at ¥2,826 million (\$26,629 thousand), was approximately unchanged from the previous fiscal year.

As a result, income before income taxes rose 22.0%, or ¥18,640 million, to ¥103,201 million (\$972,215 thousand). Beginning with the year under review, the Company adopted tax effect accounting. This resulted in a ¥2,739 million reduction for deferred tax from income taxes of ¥46,965 million (\$442,444 thousand). Net income for the year was ¥58,572 million (\$551,781 thousand), which was 44.2%, or ¥17,940 million, higher than that for the previous fiscal year. Net income per common share amounted to ¥486.92 (\$4.59), and the return on equity ratio was 14.59%.

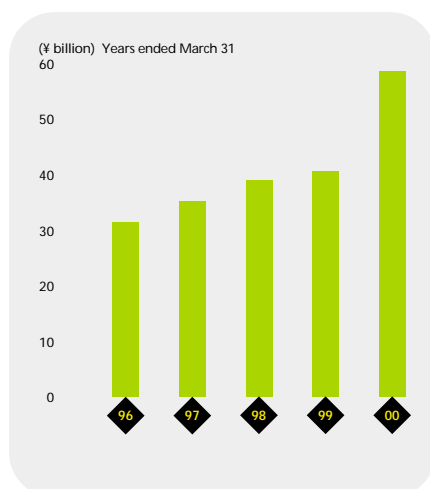
## Financial Position

At fiscal year-end, total assets amounted to ¥1,477,849 (\$13,922,272 thousand), up 9.4%, or ¥127,353 million, from the previous fiscal year-end. Aggressive sales efforts supported a 13.0%, or ¥133,801 million, increase in the principal of consumer loans receivable, to ¥1,159,253 million (\$10,920,895 thousand), thus making a major contribution to the growth in assets. The allowance for credit losses advanced 13.5%, or ¥5,299 million, to ¥44,411 million (\$418,376 thousand), reflecting the increase in loan activity.

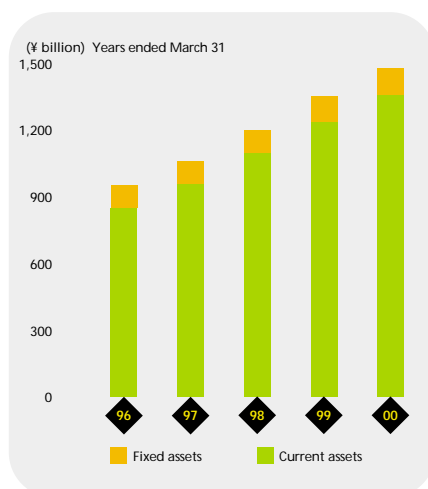
Total liabilities at the fiscal year-end increased ¥57,874 million, or 9.4% amounting to ¥1,039,758 million (US\$9,795,177 million). Short- and long-term interest bearing debt increased ¥54,001 million, or 5.9% to ¥970,598 million (US\$9,143,646 million) through funding and repayment. In contrast, accounts payable and other liabilities increased ¥2,863 million to ¥69,160 million. This increase was due mainly to an increase in long-term funds procurement and direct fund-raising of corporate bonds in capital markets.

In the shareholders' equity accounts, as a result of the conversion of convertible bonds, the total number of shares outstanding rose 1,982,141. Common stock and additional paid-in capital each rose ¥4,452 million (\$41,940 thousand). Retained earnings were up ¥64,872 million, to ¥330,502 million (\$3,113,540 thousand), and total shareholders' equity grew 20.3%, to ¥438,091 million (\$4,127,093 thousand). As a consequence, the ratio of shareholders' equity to total assets expanded 2.67 percentage points, to 29.64%.

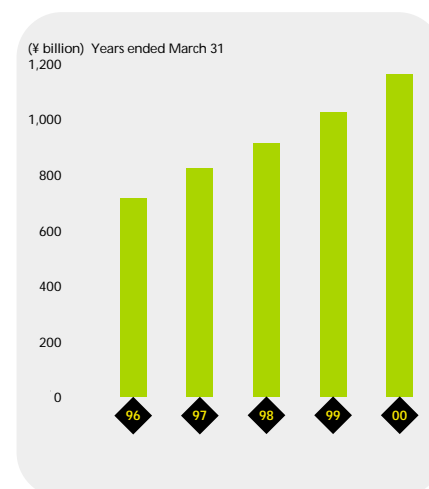
### Net Income



### Total Assets



### Consumer Loans Receivable



### Credit Losses Written-Off

Credit losses written-off for the year under review, including unsecured and secured loans, totaled ¥34,088 million. The ratio of credit losses to total outstanding consumer loans at the end of the fiscal year was 2.94%. Despite an 18.2% increase in the number of personal bankruptcies, thanks to the Company's stringent loan-screening and appropriate credit management, the Company was able to minimize the increase in credit losses written-off.

### Fund-Raising

During the fiscal year, we made use of our high credit ratings to diversify our funding in Japan. Sources tapped included the issuance of commercial paper and unsecured straight-bonds as well as capped interest rate transactions, interest rate swaps, and other financial instruments. Of particular note was ¥1,250 billion raised through nine issues of straight corporate bonds. Over the past six years, the Company has increased the ratio of funding directly from capital markets, excluding new share issues, from 0% to 21.3% for the year under review. Plans call for this ratio to be increased to 30%. This financial strategy is closely linked to passage of the new Nonbank Bond Issuing Law in May 1999. In the past, we were limited to financing our lending activities through bank borrowings or the issue of new equity, but as a result of the passage of this new law, consumer finance companies satisfying certain conditions may now issue corporate bonds and commercial paper to fund their primary lending business, thus making direct funding from capital markets possible.

At the end of the fiscal year, total fund raising outstanding, excluding shareholders' equity, was ¥970,598 million, up 5.9%

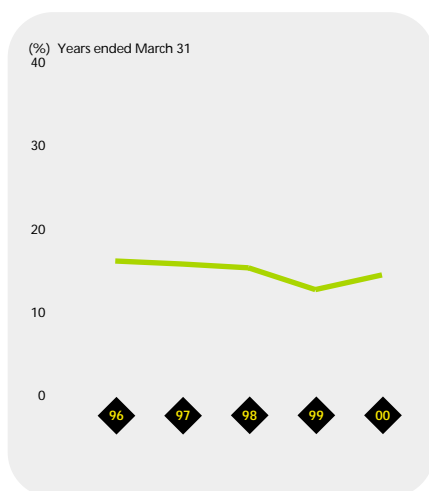
from the previous fiscal year-end. Of this total, 81.9% was fixed rate funding, 17.2% percentage points higher than for the previous fiscal year. This increase reflects the Company's policy of increasing the percentage of fixed rate funding to hedge against the possibility of increases in interest rates and stable funds. Moreover, to avoid the impact of rising market rates on interest paid on floating rate borrowings, certain of these borrowings have interest rate caps that place a ceiling on interest to be paid. In addition, we use interest rate swaps to fix a portion of interest costs on floating rate borrowings. During the year under review, we purchased interest rate caps with a notional amount of ¥140,000 million (\$1,318,888 thousand) and interest rate swaps with a notional amount of ¥2,907 million (\$27,387 thousand).

### Cash Flows

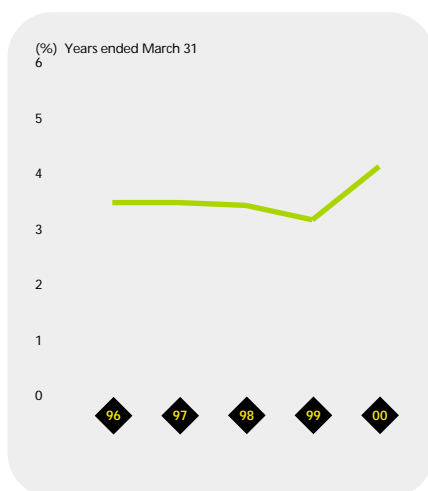
Net decrease in cash and cash equivalents was ¥31,829 million (\$299,846 thousand). This was due to an increase in consumer loan receivables, repayments of borrowings, and other factors. Cash and cash equivalents at the end of the year was ¥131,329 million (\$1,237,206 thousand).

Net cash used in operating activities amounted to ¥66,630 million (\$627,700 thousand), representing a ¥9,956 million increase in cash outflows compared with fiscal 1999. Income before income taxes of ¥103,201 million (\$972,215 thousand), after adjustment for non-cash items, such as depreciation and amortization, provision for uncollectible loans, other non-cash items, and deducted income tax paid, totaled ¥71,350 million, up ¥12,091 million compared with fiscal 1999. However, looking at operating assets and liabilities, the balance of consumer loans receivable—which is our principal business—continued

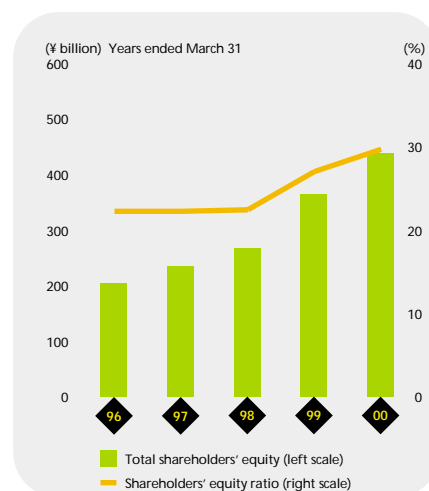
### ROE



### ROA



### Shareholders' Equity/Equity Ratio





to expand steadily to ¥133,967 million, and installment sales receivable and accrued interest from consumer finance receivables advanced ¥22,047 million, to ¥137,980 million.

Net cash used in investing activities was ¥20,252 million (\$190,788 thousand). This was because of the net outflow of ¥8,969 million of advances other than consumer loans, a payment of ¥5,936 million for all the outstanding shares in GC Co., Ltd., and ¥10,462 million for purchases of property and equipment. These amounts offset ¥2,215 million in proceeds from the sales of short-term investments, and other factors.

Net cash provided by financing activities amounted to ¥55,127 million (\$519,331 thousand). This was due to the proceeds from issuance of common bonds, net of expenses, of ¥124,257 million and a net decrease of ¥60,346 million in borrowings.

### Capital Expenditures

Principal capital expenditures during the fiscal year included the establishment of new branches, relocation of existing branches, replacement of signage, installation of additional automated credit providers, and purchases of information processing equipment.

The number of branches at the end of the fiscal year under review was 1,352. This network comprised 470 staffed branches and 882 unstaffed branches. In addition, the number of automated credit providers, ATMs, and CDs rose substantially, to 1,297, 1,820, and 89 respectively. Investments in facilities amounted to ¥7,829 million. We estimate capital expenditures for the year ending March 31, 2001, will be ¥4,845 million, with further infrastructure investment to focus on the establishment of new outlets.

### Dividend Policy

Since the registration of the Company's shares for OTC trading, it has been our policy to maintain a dividend payout ratio of 17% of net income. This policy for allocating a portion of net income to shareholders has been highly regarded by the Tokyo Stock Exchange and, on September 22, 1999, we became the first company in the consumer finance industry to receive two awards from the Exchange, following a similar award in 1995.

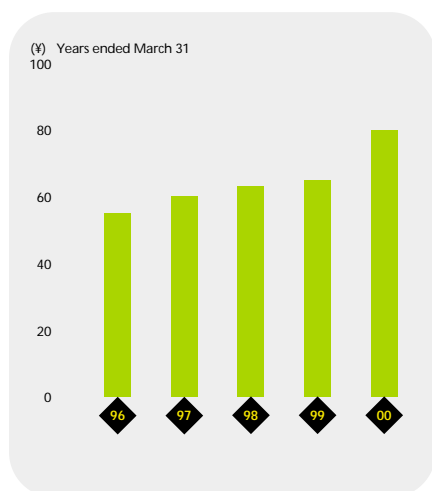
In view of performance for the year under review, we set cash dividends at ¥40 (\$0.38) per share for the second half of the fiscal year. A cash dividend of ¥40 was also paid for the first half of the fiscal year, consisting of regular dividend of ¥35 and a ¥5 dividend to commemorate the expansion of our total consumer loan receivables to over ¥1 trillion. As a result, the annual dividend applicable to fiscal 2000 was ¥80 (\$0.75) per share, or ¥15 per share higher than that for the previous fiscal year. This was the sixth consecutive year since the listing of our shares in which we have increased shareholder dividends.

As a consequence, our dividend payout ratio for the year under review was 16.91%. Return on shareholders' equity was 14.50% and the ratio of dividends to shareholders' equity was 2.25%.

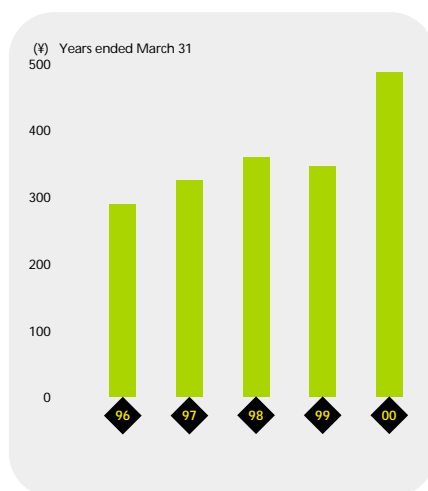
### Year 2000 (Y2K) Compliance

Because of the thoroughgoing countermeasures we implemented to prevent possible computer malfunctions due to Y2K problems, no problems arose that presented significant obstacles to continued smooth operations.

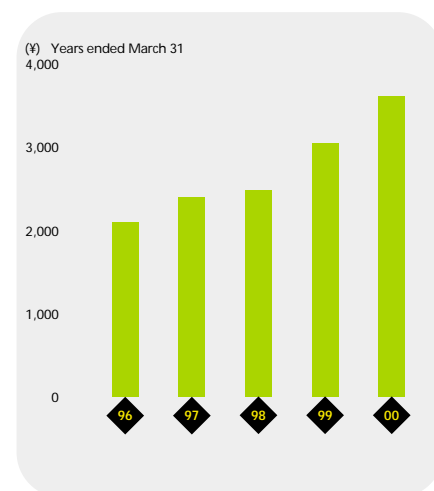
Cash Dividends per Share

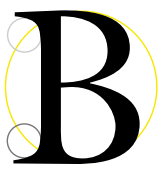


Net Income per Share



Shareholders' Equity per Share





# Board of Directors

## Representative Directors



**Chairman**  
Ryoichi Jinnai



**President**  
Hiroki Jinnai



**Deputy Chairman**  
Hirozo Yamada

## Managing Directors



Shunji Kosugi



Shigeatsu Kojima



Isao Takeuchi



Akira Nagashima



Hiroshi Obata

## Directors

Yasuhisa Ichikawa  
Harumi Yanai  
Tsutomu Kasori  
Yasuhiko Hamaguchi  
Hidetsugu Iriyama  
Masayuki Sagawa



Hideshige Tsukamoto



Kazuya Koshida



Yukio Yoshida



Teruaki Watanabe

## Standing Corporate Auditors

Hideo Tada  
Yoshiki Kamiuchi  
Osamu Ogiya  
Kazuo Nagasawa



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## Six-Year Summary (Consolidated Basis)

Promise Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31

	Millions of Yen					
	2000	1999	1998	1997	1996	1995
<b>Results of Operations:</b>						
Interest on consumer loans .....	¥ 271,743	¥ 244,570	¥ 224,079	¥ 201,026	¥180,505	¥161,996
Other operating income .....	15,202	11,513	9,961	9,149	8,108	8,070
Total operating income .....	300,724	271,054	253,086	225,009	201,736	184,938
Financial expenses.....	23,932	23,108	23,752	25,201	25,244	30,604
General and administrative expenses.....	118,073	106,914	95,204	85,570	77,539	68,601
Credit losses including provision for uncollectible loans .....	40,483	40,764	28,751	22,379	18,506	15,411
Total operating expenses .....	194,697	183,700	164,692	146,186	131,814	126,058
Operating profit.....	106,027	87,354	88,394	78,823	69,922	58,880
Income before income taxes .....	103,201	84,561	83,852	75,152	68,439	56,869
Net income .....	58,572	40,632	38,941	35,124	31,413	26,074
<b>Financial Position:</b>						
Consumer loans receivable: Principal .....	¥1,159,253	¥1,025,452	¥ 913,564	¥ 821,857	¥714,417	¥620,800
Allowance for credit losses.....	44,411	39,112	30,244	25,016	21,808	20,105
Total current assets .....	1,356,284	1,234,842	1,095,008	954,833	849,683	748,872
Total investments and advances .....	46,965	38,897	32,663	34,324	37,425	37,316
Property and equipment, net .....	59,907	61,042	60,131	59,004	52,873	50,382
Fixed leasehold deposits.....	13,166	13,509	13,247	11,712	11,238	10,516
Total assets .....	1,477,849	1,350,496	1,201,075	1,059,873	951,413	847,151
Short-term borrowings and current portion of long-term debt .....	287,781	316,953	294,515	252,041	241,953	229,545
Total current liabilities .....	339,370	365,035	341,826	300,834	283,748	264,192
Long-term debt.....	682,817	599,635	568,666	500,550	439,834	382,540
Total long-term liabilities.....	700,388	616,849	586,195	519,403	458,545	400,216
Total shareholders' equity .....	438,091	364,315	268,868	235,300	206,288	179,918
<b>Other Financial Data and Indicators:</b>						
Depreciation and amortization .....	9,547	8,523	7,779	6,183	4,881	4,301
Ratio of non-consolidated to consolidated operating income (Times) .....	1.13	1.13	1.14	1.13	1.12	1.14
Ratio of non-consolidated to consolidated net income (Times) .....	1.02	1.01	1.00	1.01	1.02	1.02
Return on equity (ROE) (%) .....	14.59	12.83	15.44	15.90	16.26	15.43
Return on assets (ROA) (%).....	4.14	3.18	3.44	3.49	3.49	3.12
<b>Amount per Share (Yen):</b>						
Net income, basic .....	¥ 486.92	¥ 346.59	¥ 359.31	¥ 324.08	¥ 289.85	¥ 240.58
Cash dividends.....	80.00	65.00	63.00	60.00	55.00	50.00
Payout ratio (%).....	16.91	19.35	16.92	17.04	17.61	16.15

1. Prior to fiscal 1998, consolidated adjustment account amortization was accounted for as an adjustment to income before income taxes. However, subsequent to a revision of the regulations governing consolidated financial statements, from fiscal 1998 this amount has been included under other income (expenses). The relevant amounts for fiscal 1997, 1996, and 1995 were ¥141 million, ¥142 million, and ¥142 million, respectively. However, there has been no restatement of figures for these fiscal years.

2. Prior to fiscal 1998, the consolidated adjustment account was included as a separate item under long-term liabilities. However, subsequent to a revision of the regulations governing consolidated financial statements, from fiscal 1998 the relevant amount has been included in the figure for long-term liabilities. The relevant amounts for fiscal 1997, 1996, and 1995 were ¥97 million, ¥239 million, and ¥380 million, respectively. However, there has been no restatement of figures for these fiscal years.

3. Depreciation and amortization on the consolidated statements of cash flows excludes new common stock issue expense and amortization expenses.

4. Net income per share has been restated to conform with International Accounting Standards' Accounting Principles Board Opinion No. 15 (APB-15), "Earnings per Share."

## Six-Year Summary (Non-Consolidated Basis)

Promise Co., Ltd.  
Years ended March 31

	Millions of Yen					
	2000	1999	1998	1997	1996	1995
<b>Results of Operations:</b>						
Interest on consumer loans .....	¥ 256,414	¥ 230,583	¥ 212,314	¥191,401	¥171,809	¥154,051
Other operating income .....	8,585	7,740	8,016	7,496	7,429	7,890
Total operating income .....	264,999	238,323	220,330	198,897	179,238	161,941
Financial expenses .....	21,298	20,882	22,064	23,673	23,869	28,837
General and administrative expenses .....	106,496	96,853	86,529	78,005	70,972	62,623
Credit losses including provision for uncollectible loans .....	34,866	35,874	25,597	20,305	17,042	14,084
Total operating expenses .....	162,660	153,609	134,190	121,983	111,883	105,544
Operating profit .....	102,339	84,714	86,140	76,914	67,355	56,397
Income before income taxes .....	100,303	82,971	82,423	73,876	66,620	55,434
Net income .....	57,238	40,175	38,668	34,690	30,770	25,418
<b>Financial Position:</b>						
Consumer loans receivable: Principal .....	¥1,100,546	¥ 976,614	¥ 866,634	¥784,201	¥682,066	¥591,362
Allowance for credit losses .....	39,110	35,170	27,790	23,750	20,850	20,970
Total current assets .....	1,229,289	1,132,240	1,005,394	883,571	791,195	693,103
Total investments and advances .....	53,263	42,269	35,895	37,455	41,213	40,966
Property and equipment, net .....	58,220	59,496	58,323	57,877	51,888	49,700
Fixed leasehold deposits .....	12,344	12,491	12,273	10,767	10,420	9,651
Total assets .....	1,354,079	1,248,422	1,111,885	989,670	894,716	793,420
Short-term borrowings and current portion of long-term debt .....	231,414	267,924	258,198	226,975	223,909	212,089
Total current liabilities .....	269,247	305,872	295,195	260,411	255,617	237,905
Long-term debt .....	638,262	566,124	534,275	479,137	417,821	360,991
Total long-term liabilities .....	654,575	583,236	551,674	497,900	436,387	378,530
Total shareholders' equity .....	430,257	359,314	265,016	231,359	202,712	176,985
<b>Other Financial Data:</b>						
Credit losses written off .....	29,815	27,644	21,556	17,405	17,161	13,473
Return on equity (ROE) (%) .....	14.50	12.87	15.58	15.98	16.21	15.28
Return on assets (ROA) (%) .....	4.40	3.40	3.68	3.68	3.65	3.26
<b>Amount per Share (Yen):</b>						
Net income, basic* .....	¥ 475.84	¥ 342.69	¥ 356.78	¥ 320.08	¥ 283.90	¥ 234.52
Shareholders' equity .....	3,538.37	3,003.91	2,439.95	2,348.15	2,057.40	2,155.55

\* Net income per share has been restated to conform with International Accounting Standards' Accounting Principles Board Opinion No. 15 (APB-15), "Earnings per Share."

## Consolidated Balance Sheets

Promise Co., Ltd. and Consolidated Subsidiaries  
March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2000	1999	2000
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 131,329	¥ 161,961	\$ 1,237,206
Time deposits .....	11,863	17,233	111,760
Receivables and consumer loans:			
Notes and accounts receivable (Note 10) .....	58,289	46,970	549,124
Consumer loans receivable (Notes 4 and 10):			
Principal .....	1,159,253	1,025,452	10,920,895
Accrued interest income .....	10,769	9,692	101,453
Less: allowance for credit losses (Note 5) .....	(44,411)	(39,112)	(418,376)
	<b>1,183,900</b>	<b>1,043,002</b>	<b>11,153,096</b>
Short-term investments (Note 6) .....	1,323	2,628	12,464
Prepaid expenses .....	2,915	3,054	27,457
Deferred tax assets (Notes 2 (12) and 18) .....	14,284	—	134,565
Other current assets .....	10,670	6,964	100,508
<b>Total current assets .....</b>	<b>1,356,284</b>	<b>1,234,842</b>	<b>12,777,056</b>
<b>Investments and advances:</b>			
Investments in securities (Notes 6 and 10) .....	13,818	11,418	130,173
Investments in and advances to unconsolidated subsidiaries and affiliates .....	5,336	5,780	50,264
Investments in equity other than capital stock (Notes 2 (11) and 10) .....	3,995	5,188	37,635
Long-term prepaid expenses .....	2,030	1,000	19,121
Deferred tax assets (Notes 2 (12) and 18) .....	3,192	—	30,067
Other investments and advances .....	18,594	16,370	175,177
Less: allowance for credit losses (Note 5) .....	—	(859)	—
<b>Total investments and advances .....</b>	<b>46,965</b>	<b>38,897</b>	<b>442,437</b>
<b>Property and equipment, net</b> (Note 8) .....	<b>59,907</b>	<b>61,042</b>	<b>564,366</b>
<b>Fixed leasehold deposits</b> (Note 9) .....	<b>13,166</b>	<b>13,509</b>	<b>124,028</b>
<b>Deferred charge</b> .....	<b>963</b>	<b>1,926</b>	<b>9,073</b>
<b>Adjustments on foreign currency statement translation</b> .....	<b>564</b>	<b>280</b>	<b>5,312</b>
<b>Total assets .....</b>	<b>¥1,477,849</b>	<b>¥1,350,496</b>	<b>\$13,922,272</b>

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2000	1999	2000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Note 10).....	¥ 29,846	¥ 48,425	\$ 281,171
Current portion of long-term debt (Note 10) .....	257,935	268,528	2,429,911
Accounts payable:			
Trade.....	809	430	7,621
Other .....	8,848	8,798	83,358
	9,657	9,228	90,979
Accrued income taxes (Note 18) .....	24,327	25,386	229,180
Accrued expenses.....	6,901	5,639	65,013
Other current liabilities .....	10,704	7,829	100,824
<b>Total current liabilities</b> .....	<b>339,370</b>	<b>365,035</b>	<b>3,197,078</b>
<b>Long-term liabilities:</b>			
Long-term debt (Note 10).....	682,817	599,635	6,432,571
Non-current accounts payable (Note 2 (11)).....	5,056	7,846	47,633
Accrued severance indemnities .....	9,631	7,418	90,730
Excess investment cost under net assets of consolidated subsidiaries acquired.....	1,092	—	10,296
Other long-term debt .....	1,792	1,950	16,871
<b>Total long-term liabilities</b> .....	<b>700,388</b>	<b>616,849</b>	<b>6,598,101</b>
<b>Minority interest</b> .....	<b>—</b>	<b>4,297</b>	<b>—</b>
<b>Contingent liabilities</b> (Note 13)			
<b>Shareholders' equity</b> (Note 14):			
Common stock, ¥50 par value:			
Authorized—300,000,000 shares			
Issued—121,597,202 shares at March 31, 2000;.....	48,898	—	460,648
119,615,061 shares at March 31, 1999.....	—	44,446	—
Additional paid-in capital .....	58,692	54,240	552,915
Retained earnings.....	330,502	265,630	3,113,540
Less: treasury stock.....	(1)	(1)	(10)
<b>Total shareholders' equity</b> .....	<b>438,091</b>	<b>364,315</b>	<b>4,127,093</b>
<b>Total liabilities and shareholders' equity</b> .....	<b>¥1,477,849</b>	<b>¥1,350,496</b>	<b>\$13,922,272</b>

## Consolidated Statements of Income

Promise Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2000	1999	2000
<b>Operating income</b> (Note 19):			
Interest on consumer loans.....	¥271,743	¥244,570	\$2,559,993
Sales.....	13,779	14,971	129,811
Other operating income (Note 15).....	15,202	11,513	143,207
<b>Total operating income</b> .....	<b>300,724</b>	<b>271,054</b>	<b>2,833,011</b>
<b>Operating expenses</b> (Note 19):			
Financial expenses (Note 16).....	23,932	23,108	225,459
Cost of sales.....	12,209	12,914	115,016
General and administrative expenses (Notes 2 (13) and 17).....	118,073	106,914	1,112,325
Credit losses including provision for uncollectible loans (Note 5).....	40,483	40,764	381,367
<b>Total operating expenses</b> .....	<b>194,697</b>	<b>183,700</b>	<b>1,834,167</b>
<b>Operating profit</b> (Note 19).....	<b>106,027</b>	<b>87,354</b>	<b>998,844</b>
<b>Other income (expenses):</b>			
Interest and dividend income on investments.....	368	321	3,464
Amortization of deferred charge.....	(963)	(963)	(9,073)
Interest expense.....	(554)	(933)	(5,219)
Equity in earnings of Tokumei Kumiai (Note 2 (11)).....	993	979	9,352
Net gain (loss) on sales of short-term investments and investments in securities.....	534	(160)	5,035
Net loss on sales or disposal of property and equipment.....	(2,175)	(2,366)	(20,486)
Gain on liquidation of Tokumei Kumiai.....	2,094	—	19,727
Past service cost of retirement benefits (Note 2 (13)).....	(2,163)	—	(20,381)
Other, net.....	(960)	329	(9,048)
<b>Total other expenses, net</b> .....	<b>(2,826)</b>	<b>(2,793)</b>	<b>(26,629)</b>
<b>Income before income taxes</b> .....	<b>103,201</b>	<b>84,561</b>	<b>972,215</b>
<b>Income taxes</b> (Notes 2 (12) and 18):			
Current.....	46,965	43,764	442,444
Deferred.....	(2,739)	—	(25,807)
<b>Minority interest</b> .....	<b>403</b>	<b>165</b>	<b>3,797</b>
<b>Net income</b> .....	<b>¥ 58,572</b>	<b>¥ 40,632</b>	<b>\$ 551,781</b>
		Yen	U.S. Dollars (Note 3)
<b>Amount per share:</b>			
Net income:			
Basic.....	¥486.92	¥346.59	\$4.59
Diluted.....	—	340.81	—
Cash dividends.....	80.00	65.00	0.75
<b>Weighted average number of shares</b> (Thousands):			
Basic.....	120,289	117,234	
Diluted.....	—	119,222	

The accompanying notes are an integral part of these statements.



## Consolidated Statements of Shareholders' Equity

Promise Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2000 and 1999

	Number of shares of common stock	Millions of Yen			
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock
<b>Balance at March 31, 1998</b> .....	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
<b>Balance at March 31, 1999</b> .....	119,615,061	¥44,446	¥54,240	¥265,630	¥(1)
Net income.....	—	—	—	58,572	—
Cash dividends paid.....	—	—	—	(8,705)	—
Bonuses to directors and statutory auditors .....	—	—	—	(187)	—
Increase due to inclusion of a company in the consolidation .....	—	—	—	1,023	—
Conversion of convertible bonds.....	1,982,141	4,452	4,452	—	—
Increase due to adoption of deferred tax accounting .....	—	—	—	14,169	—
Increase in treasury stock.....	—	—	—	—	(0)
<b>Balance at March 31, 2000</b> .....	121,597,202	¥48,898	¥58,692	¥330,502	¥(1)

	Number of shares of common stock	Thousands of U.S. Dollars (Note 3)			
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock
<b>Balance at March 31, 1999</b> .....	119,615,061	\$418,708	\$510,975	\$2,502,395	\$ (6)
Net income.....	—	—	—	551,781	—
Cash dividends paid.....	—	—	—	(82,004)	—
Bonuses to directors and statutory auditors .....	—	—	—	(1,757)	—
Increase due to inclusion of a company in the consolidation .....	—	—	—	9,644	—
Conversion of convertible bonds.....	1,982,141	41,940	41,940	—	—
Increase due to adoption of deferred tax accounting .....	—	—	—	133,481	—
Increase in treasury stock.....	—	—	—	—	(4)
<b>Balance at March 31, 2000</b> .....	121,597,202	\$460,648	\$552,915	\$3,113,540	\$(10)

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Cash Flows

Promise Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2000	1999	2000
<b>Operating activities:</b>			
Income before income taxes .....	¥103,201	¥ 84,561	\$ 972,215
Adjustments for:			
Depreciation and amortization .....	9,547	8,523	89,936
Provision for credit losses on receivable and consumer loans .....	4,558	8,981	42,938
Provision for accrued severance indemnities .....	2,213	508	20,850
Equity in earnings of Tokumei Kumiai .....	(734)	(745)	(6,910)
Gain on liquidation of Tokumei Kumiai .....	(1,056)	—	(9,946)
Net loss (gain) on sales of short-term investments and investments in securities .....	(534)	160	(5,035)
Net loss on sales or disposal of property and equipment .....	2,175	2,366	20,486
Increase in consumer loans receivable: Principal .....	(133,967)	(112,664)	(1,262,058)
Increase in notes and accounts receivable .....	(13,597)	(10,945)	(128,096)
Increase in accounts payable .....	3,191	1,358	30,066
Income taxes paid .....	(48,020)	(45,095)	(452,374)
Other, net .....	6,393	6,318	60,228
<b>Net cash used in operating activities .....</b>	<b>(66,630)</b>	<b>(56,674)</b>	<b>(627,700)</b>
<b>Investing activities:</b>			
Payment for purchase of short-term investments .....	(353)	(4,907)	(3,329)
Proceeds from sales of short-term investments .....	2,215	10,853	20,869
Purchases of property and equipment .....	(10,462)	(7,877)	(98,555)
Proceeds from sales of property and equipment .....	65	273	609
Payment for purchase of investments in securities .....	(5,936)	(6,270)	(55,924)
Proceeds from sales of investments in securities .....	213	1,931	2,003
Increase (decrease) in loans .....	(8,969)	586	(84,494)
Decrease (increase) in other investments .....	2,975	(3,502)	28,033
<b>Net cash used in investing activities .....</b>	<b>(20,252)</b>	<b>(8,913)</b>	<b>(190,788)</b>
<b>Financing activities:</b>			
Proceeds from issuance of common stock, net of expenses .....	—	58,876	—
Proceeds from long-term debt .....	222,924	281,891	2,100,084
Repayments of long-term debt .....	(266,275)	(224,378)	(2,508,475)
Proceeds from issuance of common bonds, net of expenses .....	124,257	29,838	1,170,578
Redemption of the uncollateralized convertible yen bonds .....	(27)	—	(252)
Decrease in short-term borrowings .....	(16,995)	(36,383)	(160,106)
Cash dividends paid .....	(8,756)	(7,523)	(82,484)
Other, net .....	(1)	1	(14)
<b>Net cash provided by financing activities .....</b>	<b>55,127</b>	<b>102,322</b>	<b>519,331</b>
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(74)</b>	<b>(54)</b>	<b>(689)</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>(31,829)</b>	<b>36,681</b>	<b>(299,846)</b>
<b>Cash and cash equivalents at beginning of the year .....</b>	<b>161,961</b>	<b>123,087</b>	<b>1,525,768</b>
<b>Effect of the increase in scope of consolidated subsidiaries .....</b>	<b>1,197</b>	<b>2,193</b>	<b>11,284</b>
<b>Cash and cash equivalents at end of the year .....</b>	<b>¥131,329</b>	<b>¥161,961</b>	<b>\$1,237,206</b>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the year for:			
Interest .....	¥ 22,673	¥ 23,257	\$ 213,601

The accompanying notes are an integral part of these statements.

## Notes to the Consolidated Financial Statements

Promise Co., Ltd. and Consolidated 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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (1) Scope and Significant Accounting Policies

The Company had 13 subsidiaries and 4 affiliates as of March 31, 2000 and 1999. The accompanying consolidated financial statements include the accounts of the Company and 7 (6 for each of the previous years) of its subsidiaries (together, the "Companies"), which are listed below:

Name	Country of incorporation	Fiscal year-end
GC Co., Ltd.	Japan	March 31
Liang Jing Co., Ltd.	Taiwan	December 31
Yuukei Co., Ltd.	Taiwan	December 31
PROMISE (HONG KONG) CO., LTD.	Hong Kong	December 31
Net Future Co., Ltd.	Japan	March 31
PAL Research Center Co., Ltd.	Japan	March 31
PAL Corporation Ltd.*	Japan	March 31

\*Included in the consolidation effective from the year ended March 31, 2000.

The remaining 6 unconsolidated subsidiaries at March 31, 2000 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 for the years ended March 31, 2000 and 1999 are amortized over 10 years and 5 years, respectively.

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.

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.

In addition, consolidated statements of cash flows are required to be prepared from the fiscal year beginning on April 1, 1999 in accordance with the new Accounting Standards for Consolidated Statements of Cash Flow issued by the Business Accounting Deliberation Council of Japan and filed with the Ministry of Finance in Japan (the "MOF"). Such consolidated statements of cash flows had been prepared and included in the previous financial statements although there was no requirement to file them with the MOF. The previous years' financial statements of cash flows have been reclassified to conform to the current year's presentation.

#### (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 issued 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 sheets. 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 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 collectible. 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 write-down 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 by the 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 "Other investments and advances" in the accompanying balance sheets, is principally computed on the straight-line method over 5 years, that being the estimated useful lives.

#### **(9) Foreign Currency Translation**

Foreign currencies and short-term receivables and payables (including the 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, receivables and 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, 2000 was ¥2,787 million (\$26,259 thousand) and the contract terms range from 10 years to 18 years. Due to the fact that Tokumei Kumiai is designed to incur a loss in its early years of operation, the Company has recognized a 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 (loss) 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 ¥5,056 million (\$47,633 thousand) as of March 31, 2000. These losses are classified as "Non-current accounts payable" in the accompanying balance sheets.

#### **(12) Income Taxes**

The Companies computed and recorded income taxes currently payable based upon taxable income determined in accordance with applicable tax laws. The Company and its domestic subsidiaries did not recognize deferred income taxes arising from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements at March 31, 1999.

Effective April 1, 1999, they adopted the Financial Accounting Standard on Accounting for Effects of Income Taxes which was issued by the Business Accounting Deliberation Council of Japan. This standard requires that income taxes are accounted for under the assets and liabilities method. The effect of the initial application for the year ended March 31, 2000 was to increase net income by ¥2,739 million (\$25,807 thousand). The cumulative effect up to the beginning of the current year of ¥14,169 million (\$133,481 thousand) has been reported "Increase due to adoption of deferred tax accounting" in the consolidated statements of shareholders' equity. As a result of the above effects, total assets and retained earnings at March 31, 2000 increased by ¥17,476 million (\$164,632 thousand) and ¥16,908 million (\$159,288 thousand), respectively.

### **(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 the cause of retirement.

The Company and GC Co., Ltd., have fully accrued 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. The Company and GC Co., Ltd., have recognized pension contributions as expenses when accrued until the year ended March 31, 1999. Such liability is not funded.

From the year ended March 31, 2000, the Company and GC Co., Ltd.'s accounting treatments of accrued severance indemnities and pension contributions are unified, and the amount of accrued severance indemnities is provided based on the amount of projected benefit obligation reduced by pension plan assets at fair value.

This accounting change is made to provide a more proper allocation of the cost of retirement benefits and further strengthen the financial position. The amounts of cost attributable to the current financial year and the preceding financial period are recognized as general and administrative expenses and other expenses, which amounted to ¥2,013 million (\$18,967 thousand) and ¥2,163 million (\$20,381 thousand), respectively. The effect of this change was to increase operating profit by ¥392 million (\$3,695 thousand) and decrease income before income taxes by ¥1,767 million (\$16,648 thousand).

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 was reversed into income at the rate of 30% per annum by the declining-balance method for the year ended March 31, 1999.

The directors and statutory auditors of the Company and GC Co., Ltd., are covered by a retirement benefit plan under which 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

### **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 ¥106.15 to US\$1, being the effective rate of exchange at March

severance indemnities for the directors and statutory auditors in the 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 by the straight-line method over three years, as permitted by the 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 the 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 dividends paid and annual dividends declared as applicable to the respective years.

### **(18) Cash Equivalents**

Cash equivalents include all highly liquid investments, generally with an original maturity date of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present an insignificant risk of change in value due to interest rates.

### **(19) Reclassifications**

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

31, 2000. 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 ¥106.15 to US\$1 or at any other rate.

#### 4. CONSUMER LOANS RECEIVABLE

- (1) Unsecured loans to individual customers, which were included in "Consumer loans receivable," were ¥1,147,311 million (\$10,808,392 thousand) and ¥1,016,719 million as of March 31, 2000 and 1999, respectively.
- (2) The amounts of loans which were disclosed in accordance with the enactment of the Nonbank Bond Issuing Law in May 1999 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Credits of bankrupt borrowers .....	¥ 129	\$ 1,219
Delinquent loans .....	118	1,114
Delinquent loans past three months or more .....	5,517	51,970
Restructured loans .....	19,623	184,861
	¥25,387	\$239,164

Credits of bankrupt borrowers are loans under declaration of bankruptcy, reconstruction and similar proceedings and in addition, whose accruing interest are not recorded as income since the principal or interest on such loans is unlikely to be recovered in view of the considerable period of postponement of the principal or interest, or other circumstances.

Delinquent loans are credits whose accruing interest is not recorded as income for the same reason as above, and do not include credits of bankrupt borrowers and the loans to which postponement of interest payment was made with the object of reconstructing and supporting the borrowers.

Delinquent loans past three months or more are loans which are delinquent for three months or more from the due date of interest or principal under the terms of the related loans agreements and do not include credits of bankrupt borrowers and delinquent loans, as described above.

Restructured loans are loans of which a certain concession to borrowers, such as postponement of interest payment and other methods, was made with the object of encouraging repayment, and do not include credits of bankrupt borrowers, delinquent loans and delinquent loans past three months or more, as described above.

#### 5. ALLOWANCE FOR CREDIT LOSSES

Transactions affecting the "allowance for credit losses" account for the years ended March 31, 2000 and 1999 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Balance at beginning.....	¥39,971	¥31,094	\$376,558
Credit losses written-off against the allowance.....	(35,590)	(30,147)	(335,292)
Provision for uncollectible loans.....	40,030	39,024	377,110
Balance at end .....	¥44,411	¥39,971	\$418,376

#### 6. SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

Short-term investments and investments in securities held by the Companies as of March 31, 2000 and 1999 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Short-term investments:			
Equity securities .....	¥ 1,014	¥ 1,181	\$ 9,551
Government and corporate bonds.....	—	1,002	—
Other securities.....	309	445	2,913
	¥ 1,323	¥ 2,628	\$ 12,464
Investments in securities:			
Equity securities .....	¥11,818	¥ 9,418	\$111,332
Government and corporate bonds.....	2,000	2,000	18,841
	¥13,818	¥11,418	\$130,173

Book value and market value information on short-term investments and investments in securities held by the Companies as of March 31, 2000 are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Book value per balance sheet	Market value	Unrealized gain	Book value per balance sheet	Market value	Unrealized gain
Short-term investments:						
Equity securities .....	¥ 1,014	¥ 4,054	¥ 3,040	\$ 9,551	\$ 38,191	\$ 28,640
Other securities .....	309	328	19	2,913	3,090	177
	1,323	4,382	3,059	12,464	41,281	28,817
Investments in securities:						
Equity securities .....	9,746	19,053	9,307	91,815	179,490	87,675
	¥11,069	¥23,435	¥12,366	\$104,279	\$220,771	\$116,492

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, 2000 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Investments in securities:		
Equity securities .....	¥2,072	\$19,517
Government and corporate bonds.....	2,000	18,841

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

## 7. FINANCIAL INSTRUMENTS

The Company and PROMISE (HONG KONG) CO., LTD., entered 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 fluctuations in interest rates. The Companies do not hold or issue any financial instruments for trading purposes.

The fair values of the off-balance-sheet financial instruments as of March 31, 2000 and 1999 were as follows:

	Millions of Yen			
	Notional amount		Fair value	Unrealized loss
	Total	Due after one year		
<b>Year ending March 31, 2000:</b>				
Interest rate swap:				
Changing floating rates into fixed rate .....	¥ 2,907	¥ 600	¥(21)	¥ (21)
Interest rate cap:				
Purchased .....	140,000	140,000	904	(687)
	¥142,907	¥140,600	¥883	¥(708)
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)
	¥15,840	¥11,720	¥ 35	¥(122)
	Thousands of U.S. Dollars			
	Notional amount		Fair value	Unrealized loss
	Total	Due after one year		
<b>Year ending March 31, 2000:</b>				
Interest rate swap:				
Changing floating rates into fixed rate.....	\$ 27,387	\$ 5,652	\$ (195)	\$ (195)
Interest rate cap:				
Purchased.....	1,318,888	1,318,888	8,515	(6,473)
	\$1,346,275	\$1,324,540	\$8,320	\$(6,668)

## 8. PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2000 and 1999 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Buildings.....	¥25,749	¥25,245	\$242,572
Structures.....	4,309	4,979	40,596
Furniture, fixtures and equipment.....	34,873	34,405	328,530
Other.....	463	33	4,362
	65,394	64,662	616,060
Less: accumulated depreciation.....	(33,630)	(31,424)	(316,816)
	31,764	33,238	299,244
Land.....	28,143	27,802	265,122
Construction in progress.....	—	2	—
	¥59,907	¥61,042	\$564,366

## 9. FIXED LEASEHOLD DEPOSITS

Fixed leasehold deposits as of March 31, 2000 and 1999 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 as of March 31, 2000 and 1999 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Short-term bank loans*:			
Secured.....	¥ 6,264	¥ 8,747	\$ 59,014
Entered into the forward contract of assigning consumer loans receivable.....	6,628	20,000	62,436
Unsecured.....	9,324	10,059	87,836
	22,216	38,806	209,286
Commercial paper and other:			
Secured.....	6,630	8,619	62,464
Unsecured.....	1,000	1,000	9,421
	7,630	9,619	71,885
	¥29,846	¥ 48,425	\$281,171
Notes*: Maximum month-end balance outstanding during the period.....	¥42,091	¥61,327	\$396,522
Average month-end balance outstanding during the period.....	33,678	46,788	317,272
Weighted average interest rate for the period.....	3.301%	2.981%	3.301%

Short-term bank loans outstanding as of March 31, 2000 and 1999 were represented mainly by overdrafts with banks bearing interest at annual rates ranging from 1.370% to 8.556%, and from 1.058% to 10.250%, respectively.

The principal ranges of annual interest rates applicable to commercial paper and other at March 31, 2000 and 1999 were from 0.900% to 5.100% and from 2.137% to 6.650%, respectively.



Long-term debt outstanding as of March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Loans, principally from banks and other financial institutions with interest rates indicated below <sup>1</sup> :			
Secured.....	¥261,228	¥235,883	\$2,460,936
Entered into the forward contract of assigning consumer loans receivable.....	324,672	372,757	3,058,617
Unsecured.....	169,852	190,592	1,600,114
	<b>755,752</b>	799,232	<b>7,119,667</b>
Uncollateralized zero coupon convertible yen bonds, due 2000 <sup>2</sup> .....	—	8,931	—
2.100% per annum uncollateralized yen bonds, due 2002.....	10,000	10,000	94,206
2.600% per annum uncollateralized yen bonds, due 2002.....	10,000	10,000	94,206
2.000% per annum uncollateralized yen bonds, due 2002.....	10,000	10,000	94,206
2.100% per annum uncollateralized yen bonds, due 2001.....	10,000	10,000	94,206
2.100% per annum uncollateralized yen bonds, due 2001.....	10,000	10,000	94,206
2.050% per annum uncollateralized yen bonds, due 2002.....	10,000	10,000	94,206
2.030% per annum uncollateralized yen bonds, due 2004.....	20,000	—	188,413
1.790% per annum uncollateralized yen bonds, due 2004.....	10,000	—	94,206
1.400% per annum uncollateralized yen bonds, due 2003.....	10,000	—	94,206
2.270% per annum uncollateralized yen bonds, due 2005.....	10,000	—	94,206
2.510% per annum uncollateralized yen bonds, due 2006.....	20,000	—	188,413
1.900% per annum uncollateralized yen bonds, due 2003.....	20,000	—	188,413
2.950% per annum uncollateralized yen bonds, due 2009.....	10,000	—	94,206
2.560% per annum uncollateralized yen bonds, due 2010.....	15,000	—	141,310
2.050% per annum uncollateralized yen bonds, due 2005.....	10,000	—	94,206
Less: portion due within one year.....	(257,935)	(268,528)	(2,429,911)
	<b>¥682,817</b>	¥599,635	<b>\$6,432,571</b>
Weighted average interest rate for the period.....	<b>2.534%</b>	2.684%	<b>2.534%</b>

Notes: 1. Annual interest rates on loans from banks and other financial institutions outstanding as of March 31, 2000 and 1999 ranged from 1.150% to 8.500% and from 0.710% to 4.900%, 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 conversion price was ¥4,492.00 (\$42.32) per share, which had been adjusted from ¥4,566.40, effective on June 19, 1998, due to the issuance of new shares.

The amount of ¥8,904 million (\$83,880 thousand) was converted into common stock of the Company and the remaining amount of ¥27 million (\$252 thousand) was repaid at the maturity date.

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 as of March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Notes and accounts receivable.....	¥ 33,930	¥ 23,893	\$ 319,644
Consumer loans receivable*.....	254,479	237,836	2,397,347
Investments in securities.....	—	332	—
Investments in equity other than capital stock.....	50	50	471
	<b>¥288,459</b>	¥262,111	<b>\$2,717,462</b>

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 ¥345,645 million (\$3,256,199 thousand) and ¥415,270 million as of March 31, 2000 and 1999, respectively.

The aggregate annual maturities of long-term debt, excluding the above bonds, outstanding as of March 31, 2000 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2001.....	¥257,935	\$2,429,911
2002.....	220,959	2,081,572
2003.....	150,530	1,418,091
2004.....	87,422	823,570
2005 and thereafter.....	38,906	366,523
	<b>¥755,752</b>	<b>\$7,119,667</b>

## 11. PENSION PLANS

The accumulated balances of fund assets of the funded pension plans of the Company aggregated ¥7,002 million (\$65,963 thousand), as of March 31, 2000, 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 ¥149 million (\$1,405 thousand),

as of March 31, 2000, 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
	2000	1999	2000
Rental expense .....	¥2,570	¥2,535	\$24,213
Depreciation expense .....	2,302	2,299	21,685
Interest expense .....	252	198	2,378

The depreciation expense is computed by the straight-line method 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, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Due within one year .....	¥1,029	¥2,165	\$ 9,696
Due after one year .....	1,943	1,862	18,307
	¥2,972	¥4,027	\$28,003

A summary of the leased properties under the above leases as of March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Furniture, fixtures and equipment .....	¥6,626	¥10,645	\$62,422
Other .....	605	475	5,703
	7,231	11,120	68,125
Less: accumulated depreciation .....	(4,382)	(7,237)	(41,283)
	¥2,849	¥ 3,883	\$26,842

(2) The aggregate future lease payments under ordinary operating leases as of March 31, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Due within one year .....	¥44	¥136	\$418
Due after one year .....	—	43	—
	¥44	¥179	\$418

## 13. CONTINGENT LIABILITIES

As of March 31, 2000, the balance of guaranty of liabilities was nil.

## 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 June 18, 1998, the Company made a public offering of 11 million shares at an issue price of ¥5,615 per share of the total proceeds from the sale of new shares amounting to ¥61,765 million. The proceeds were credited in approximately equal amounts to common stock and additional paid-in capital.

For the year ended March 31, 2000, shares issued and outstanding increased by 1,982,000 and stated capital and additional paid-in

capital increased by ¥4,452 million (\$41,940 thousand) through the conversion of convertible yen bonds into common stock of the Company.

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 Note 2 (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, 2000 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Collected amounts.....	¥6,958	¥4,520	\$65,544

## 16. FINANCIAL EXPENSES

Interest expense, which was included in "Financial expenses" in the accompanying consolidated statements of income, for the years ended March 31, 2000 and 1999 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Interest expense .....	¥23,165	¥22,695	\$218,233

## 17. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses in the accompanying consolidated statements of income, for the years ended March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Advertisements .....	¥ 17,914	¥ 15,735	\$ 168,761
Employees' salary and bonuses.....	26,183	23,183	246,656
Rent expenses .....	12,358	11,794	116,418
Other .....	61,618	56,202	580,490
	¥118,073	¥106,914	\$1,112,325

## 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 42% and 48% for the years ended March 31, 2000 and 1999, respectively. Foreign consolidated subsidiaries are subject to the income taxes of the countries in which they operate.

Effective April 1, 1999, the Companies introduced deferred tax accounting. According to this new method, a deferred tax asset and liability was recognized for the future tax effects derived from temporary differences and tax loss carryforward with appropriate valuation reserve, if necessary. The cumulative effect of this accounting change was included in "Income taxes: Deferred" in the consolidated statements of income for the year ended March 31, 2000.

The significant components of deferred tax assets and liabilities as of March 31, 2000 were summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets due to:		
Credit losses for receivables and consumer loans.....	¥ 6,271	\$ 59,073
Allowance for credit losses .....	4,238	39,928
Accrued enterprise taxes .....	2,062	19,426
Accrued severance indemnities for employees .....	2,616	24,640
Other .....	2,289	21,565
Total .....	17,476	164,632
Deferred tax liabilities due to: .....	—	—
Net deferred tax assets.....	¥17,476	\$164,632

Net deferred tax assets are included in the consolidated balance sheets as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets:		
Deferred tax assets.....	¥14,284	\$134,565
Investments and advances:		
Deferred tax assets.....	3,192	30,067
	¥17,476	\$164,632

## 19. SEGMENT INFORMATION BY BUSINESS ACTIVITIES

The Companies' operations by business segment for the year ended March 31, 2000 are not disclosed since the ratios of business other than consumer financial business to total in respect of operating

income, operating profit and assets are not material, being less than 10%, in conformity with the Japanese Disclosure Rule of Consolidated Financial Statements.

The Companies' operations by business segment for the year ended March 31, 1999 were as follows:

	Millions of Yen				Consolidated
	Consumer finance business	Other business	Total	Adjustments and eliminations	
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 .....	¥ 98,327	¥ 578	¥ 98,905	¥(11,551)	¥ 87,354
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

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

	Millions of Yen
Corporate expenses .....	¥10,569
Corporate assets .....	46,798

## 20. SUBSEQUENT EVENT

(1) On March 31, 2000, the Company's Board of Directors approved the stock exchange through which Rich Co., Ltd., shall be restructured into a wholly owned subsidiary of the Company on May 19, 2000. The Company shall issue 2,261 thousand shares of par value common stocks (the par value, the amount of issue price and the amount of stated capital increased per share are all ¥50 (\$0.47)), which are to be allocated to the shareholders of Rich Co., Ltd., at the ratio of 5 shares of the Company's stock to one share of Rich Co., Ltd.'s stock. The total amount of the issue price of the shares is to be ¥113 million (\$1,065 thousand), by which common stock is to increase.

This issuance of new shares through stock exchange is in accordance with the Commercial Code §352 and the stock exchange is to be executed under the simplified procedure in conformity with the Commercial Code §358.

(2) At the general shareholders' meeting of the Company held on June 28, 2000, the payment of cash dividends, ¥40.0 (\$0.38) per share, was approved, which amounted to ¥4,864 million (\$45,821 thousand).

## **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, 2000 and 1999, 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, 2000 and 1999, 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, except for the change, with which we concur, in the method of accounting for accrued severance indemnities and pension plan as described in Note 2 (13).

The amounts 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.

*ChuoAoyama Audit Corporation*

ChuoAoyama Audit Corporation Japan

June 28, 2000

## Non-Consolidated Balance Sheets

Promise Co., Ltd.  
March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 119,539	¥ 152,415	\$ 1,126,133
Time deposits .....	10,915	16,418	102,826
Consumer loans receivable:			
Principal .....	1,100,546	976,614	10,367,841
Accrued interest income .....	10,289	9,498	96,929
Less: allowance for credit losses .....	(39,110)	(35,170)	(368,440)
	1,071,725	950,942	10,096,330
Short-term investments .....	1,259	2,586	11,862
Prepaid expenses .....	2,434	2,510	22,928
Deferred tax assets .....	13,520	—	127,368
Other current assets .....	9,897	7,369	93,231
<b>Total current assets</b> .....	<b>1,229,289</b>	<b>1,132,240</b>	<b>11,580,678</b>
<b>Investments and advances:</b>			
Investments in securities .....	13,265	11,365	124,966
Investments in and advances to subsidiaries and affiliates .....	15,496	11,710	145,983
Investments in equity other than capital stock .....	3,915	5,138	36,880
Long-term prepaid expenses .....	1,928	7,884	18,164
Deferred tax assets .....	2,986	—	28,129
Other investments and advances .....	15,673	7,022	147,645
Less: allowance for credit losses .....	—	(850)	—
<b>Total investments and advances</b> .....	<b>53,263</b>	<b>42,269</b>	<b>501,767</b>
<b>Property and equipment, net</b> .....	<b>58,220</b>	<b>59,496</b>	<b>548,470</b>
<b>Fixed leasehold deposits</b> .....	<b>12,344</b>	<b>12,491</b>	<b>116,292</b>
<b>Deferred charge</b> .....	<b>963</b>	<b>1,926</b>	<b>9,073</b>
<b>Total assets</b> .....	<b>¥1,354,079</b>	<b>¥1,248,422</b>	<b>\$12,756,280</b>

Note: Translation into U.S. dollars has been made on the basis of ¥106.15 to \$1, the effective exchange rate at March 31, 2000.

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings .....	¥ 6,400	¥ 22,800	\$ 60,292
Current portion of long-term debt .....	225,014	245,124	2,119,776
Accounts payable .....	7,407	7,560	69,783
Accrued income taxes .....	23,545	24,725	221,804
Accrued expenses .....	6,505	5,318	61,286
Other current liabilities .....	376	345	3,540
<b>Total current liabilities</b> .....	<b>269,247</b>	<b>305,872</b>	<b>2,536,481</b>
<b>Long-term liabilities:</b>			
Long-term debt .....	638,262	566,124	6,012,831
Non-current accounts payable .....	5,056	7,846	47,633
Accrued severance indemnities .....	9,477	7,334	89,280
Other long-term debt .....	1,780	1,932	16,764
<b>Total long-term liabilities</b> .....	<b>654,575</b>	<b>583,236</b>	<b>6,166,508</b>
<b>Contingent liabilities</b>			
<b>Shareholders' equity:</b>			
Common stock, ¥50 par value:			
Authorized—300,000,000 shares			
Issued—121,597,202 shares at March 31, 2000; .....	48,898	—	460,648
119,615,061 shares at March 31, 1999 .....	—	44,446	—
Additional paid-in capital .....	58,692	54,240	552,915
Legal reserve .....	11,569	3,778	108,990
Voluntary reserve .....	240,800	216,300	2,268,488
Retained earnings .....	70,298	40,550	662,250
<b>Total shareholders' equity</b> .....	<b>430,257</b>	<b>359,314</b>	<b>4,053,291</b>
<b>Total liabilities and shareholders' equity</b> .....	<b>¥1,354,079</b>	<b>¥1,248,422</b>	<b>\$12,756,280</b>

## Non-Consolidated Statements of Income

Promise Co., Ltd.  
For the years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
<b>Operating income:</b>			
Interest on consumer loans.....	¥256,414	¥230,583	\$2,415,584
Other operating income.....	8,585	7,740	80,878
<b>Total operating income.....</b>	<b>264,999</b>	<b>238,323</b>	<b>2,496,462</b>
<b>Operating expenses:</b>			
Financial expenses.....	21,298	20,882	200,643
General and administrative expenses.....	106,496	96,853	1,003,258
Credit losses including provision for uncollectible loans.....	34,866	35,874	328,460
<b>Total operating expenses.....</b>	<b>162,660</b>	<b>153,609</b>	<b>1,532,361</b>
<b>Operating profit.....</b>	<b>102,339</b>	<b>84,714</b>	<b>964,101</b>
<b>Other income (expenses):</b>			
Interest and dividend income on investments.....	511	417	4,816
Amortization of deferred charge.....	(963)	(963)	(9,073)
Bond issue expenses.....	(235)	(163)	(2,216)
Insurance money received and insurance divided.....	217	139	2,048
Equity in earnings of Tokumei Kumiai.....	993	979	9,352
Net gain (loss) on sales of short-term investments and investments in securities.....	527	(94)	4,964
Loss on valuation of investments in securities.....	(13)	(44)	(126)
Net loss on sales or disposal of property and equipment.....	(2,104)	(2,203)	(19,820)
Gain on liquidation of Tokumei Kumiai.....	2,094	—	19,727
Past service cost of retirement benefits.....	(2,089)	—	(19,683)
Other, net.....	(974)	189	(9,174)
<b>Total other expenses, net.....</b>	<b>(2,036)</b>	<b>(1,743)</b>	<b>(19,185)</b>
<b>Income before income taxes.....</b>	<b>100,303</b>	<b>82,971</b>	<b>944,916</b>
<b>Income taxes:</b>			
Current.....	45,890	42,796	432,313
Deferred.....	(2,825)	—	(26,613)
	43,065	42,796	405,700
<b>Net income.....</b>	<b>¥ 57,238</b>	<b>¥ 40,175</b>	<b>\$ 539,216</b>

	Yen		U.S. Dollars
<b>Amount per share:</b>			
Net income:			
Basic.....	¥475.84	¥342.69	\$4.48
Diluted.....	—	336.98	—
Cash dividends.....	80.00	65.00	0.75
<b>Weighted average number of shares (Thousands):</b>			
Basic.....	120,289	117,234	
Diluted.....	—	119,222	

Note: Translation into U.S. dollars has been made on the basis of ¥106.15 to \$1, the effective exchange rate at March 31, 2000.



## Non-Consolidated Statements of Shareholders' Equity

Promise Co., Ltd.  
For the years ended March 31, 2000 and 1999

	Number of shares of common stock	Millions of Yen				
		Common stock	Additional paid-in capital	Legal reserve	Voluntary reserve	Retained earnings
<b>Balance at March 31, 1998</b> .....	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	—	—	—
<b>Balance at March 31, 1999</b> .....	119,615,061	¥44,446	¥54,240	¥ 3,778	¥216,300	¥40,550
Net income .....	—	—	—	—	—	57,238
Legal reserve .....	—	—	—	7,791	—	(7,791)
Cash dividends paid .....	—	—	—	—	—	(8,705)
Bonuses to directors and statutory auditors .....	—	—	—	—	—	(175)
Transfer to voluntary reserve .....	—	—	—	—	24,500	(24,500)
Conversion of convertible bonds .....	1,982,141	4,452	4,452	—	—	—
Increase due to adoption of deferred tax accounting .....	—	—	—	—	—	13,681
<b>Balance at March 31, 2000</b> .....	121,597,202	¥48,898	¥58,692	¥11,569	¥240,800	¥70,298

	Number of shares of common stock	Thousands of U.S. Dollars				
		Common stock	Additional paid-in capital	Legal reserve	Voluntary reserve	Retained earnings
<b>Balance at March 31, 1999</b> .....	119,615,061	\$418,708	\$510,975	\$ 35,593	\$2,037,683	\$382,004
Net income .....	—	—	—	—	—	539,216
Legal reserve .....	—	—	—	73,397	—	(73,397)
Cash dividends paid .....	—	—	—	—	—	(82,004)
Bonuses to directors and statutory auditors .....	—	—	—	—	—	(1,649)
Transfer to voluntary reserve .....	—	—	—	—	230,805	(230,805)
Conversion of convertible bonds .....	1,982,141	41,940	41,940	—	—	—
Increase due to adoption of deferred tax accounting .....	—	—	—	—	—	128,885
<b>Balance at March 31, 2000</b> .....	121,597,202	\$460,648	\$552,915	\$108,990	\$2,268,488	\$662,250

Note: Translation into U.S. dollars has been made on the basis of ¥106.15 to \$1, the effective exchange rate at March 31, 2000.



## Subsidiaries and Affiliates

(As of March 31, 2000)

### DOMESTIC SUBSIDIARIES:

Company Name and Address	Ownership (%)	Principal Business
<b>GC Co., Ltd.*</b> 2-4-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0843	100.00	Credit card issuer
<b>PAL Service Co., Ltd.</b> 2-6-5, Kandasudacho, Chiyoda-ku, Tokyo 101-0041	100.00	Sale and agency services for golf club membership rights and management of construction
<b>PAL Corporation Ltd.**</b> 1-2-2, Umeda, Kita-ku, Osaka 530-0001	100.00	Real estate sale and brokerage
<b>PAL Research Center Co., Ltd.*</b> 4-2-16, Shinjuku, Shinjuku-ku, Tokyo 160-0022	100.00	Credit surveys
<b>System Trinity Co., Ltd.</b> 2-16-1, Shibuya, Shibuya-ku, Tokyo 150-0002	49.00	Computer system design, operation, and management
<b>Holiday Joy Travel Service Co., Ltd.</b> 4-2-2, Ginza, Chuo-ku, Tokyo 104-0061	100.00	Travel services
<b>Net Future Co., Ltd.*</b> 2-27-20, Minami-Aoyama, Minato-ku, Tokyo 107-0062	100.00	Operation and management of ATMs and computer peripherals

\* Consolidated subsidiary

\*\* Included in the consolidation effective from the year ended March 31, 2000.

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

### OVERSEAS SUBSIDIARIES:

Company Name and Address	Ownership (%)	Principal Business
<b>TAIWAN</b>		
<b>Liang Jing Co., Ltd.*</b> 2, Sec. 3, Minsheng E. Rd., Taipei	60.00	Installment sales of automobiles, construction materials, etc.
<b>Yukei Co., Ltd.*</b> 2, Sec. 3, Minsheng E. Rd., Taipei	100.00	Installment sales of automobiles, construction materials, etc.
<b>CHINA</b>		
<b>PROMISE (HONG KONG) CO., LTD.*</b> 3rd Floor, Number 80 Building, 80 Gloucester Road, Wanchai, Hong Kong, S.A.R.	100.00	Consumer finance services
<b>PAL INVESTMENT COMPANY LIMITED</b> Rooms 1001-2, 10/F., Far East Consortium Building, 121 Des Voeux Road, Central, Hong Kong, S.A.R.	100.00	Investment in China
<b>FRANCE</b>		
<b>PROMISE (EUROPE) S.A.</b> 1, Chemin des Vanneaux 95290, L'isle-Adam	100.00	Golf course operation and management
<b>CAYMAN ISLANDS</b> (Dependent territory of the United Kingdom)		
<b>PAL Investment (Cayman) Co., Ltd.</b> c/o KPMG Genesis Trust Company Ltd., Genesis Building, P.O. BOX 448GT, Grand Cayman, Cayman Islands	100.00	Investment in China

\*Consolidated subsidiary

Note: 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)



## Corporate Information

(As of March 31, 2000)

### Date of Establishment:

March 20, 1962

### Fiscal Year:

April 1 to March 31

### Auditor:

ChuoAoyama Audit Corporation

### Number of Employees:

3,847

### Paid-in Capital:

¥48,898 million

### Common Stock:

Authorized: 300,000,000 shares

Issued: 121,597,202 shares

### Number of Shareholders:

7,396

### Listing:

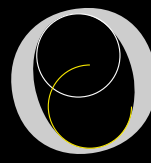
First Section of the Tokyo Stock Exchange

### Transfer Agent:

The Sumitomo Trust and Banking Company, Limited

4-5-33, Kitahama, Chuo-ku

Osaka 541-0041, Japan



## Offices

(As of March 31, 2000)

### Head Office:

1-2-4, Otemachi, Chiyoda-ku,

Tokyo 100-0004, Japan

Tel: +81-3-3287-1515

### Osaka Office:

1-2-2, Umeda, Kita-ku

Osaka 530-0001, Japan

### Computer Center:

3-14-24, Fukushima, Fukushima-ku,

Osaka 553-0003, Japan

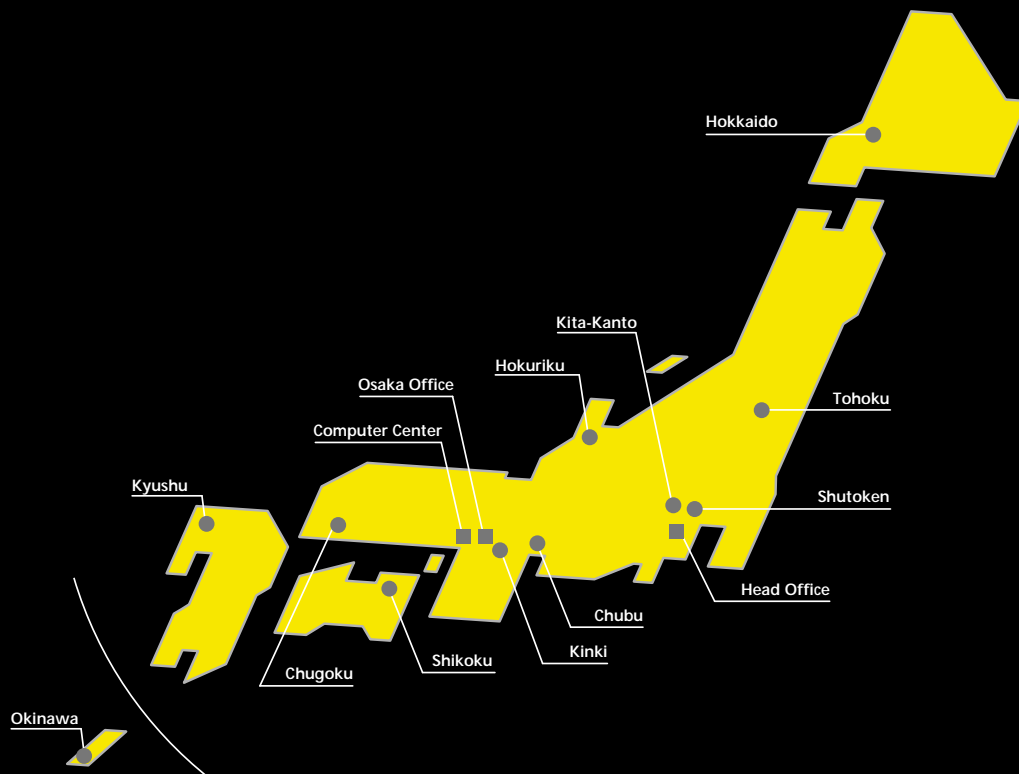
### Regional Offices: (11)

Hokkaido, Tohoku, Kita-Kanto, Shutoken, Chubu,

Hokuriku, Kinki, Chugoku, Shikoku, Kyushu, Okinawa

### Branches:

1,299





**PROMISE**

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