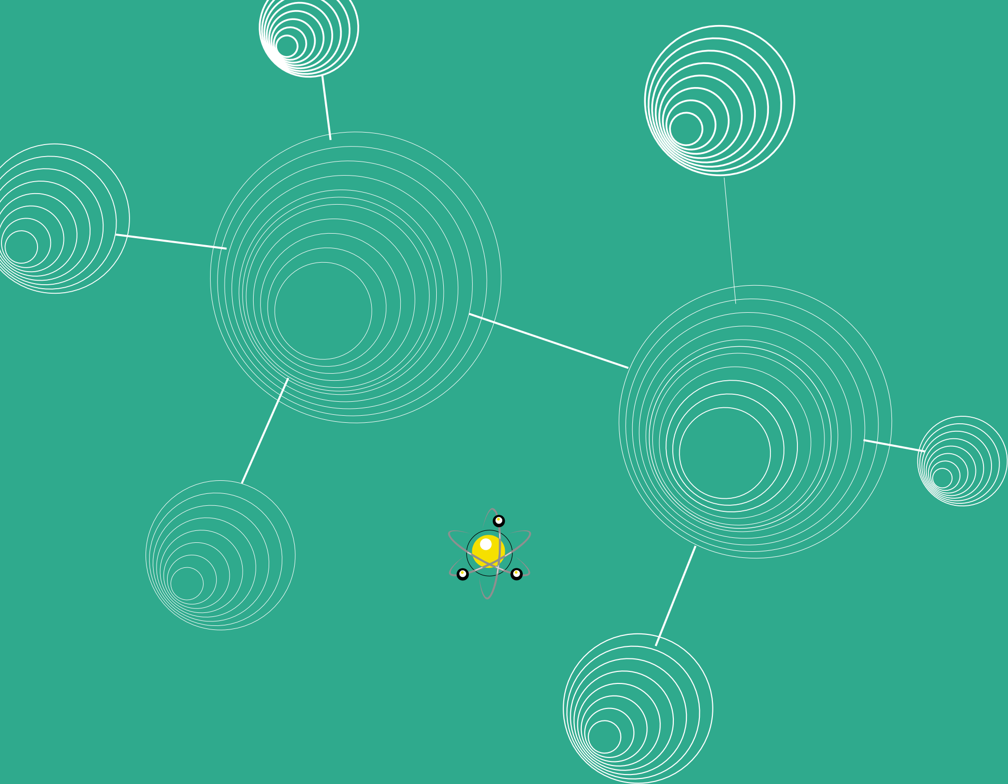
PROMISE

PROMISE CO., LTD.

Annual Report 2001

Year ended March 31, 2001



Profile

Promise Co., Ltd., continues to achieve solid earnings growth through operations centering on the provision of unsecured loans to individuals.

Introduced in 1998, Promise Vision represents the Company's long-term corporate guidelines for achieving increased specialization within the consumer finance industry. In the year ended March 31, 2001, Promise Vision continued to guide the Company's efforts aimed at strengthening the Group. These efforts included establishing MOBIT Co., Ltd., a joint venture with the Sanwa Bank, Ltd., and APLUS Co., Ltd., and conducting M&A activities targeting second-tier consumer finance companies. In addition, the Company strengthened its brand capabilities as a result of its Visual Identity program, which was launched in 1999 as a part of Promise Vision.

Promise will continue working to achieve enhanced profit 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 continuing support of our business activities.

Contents

Cautionary Information with Respect to Forward-Looking Statements

In addition to historical facts regarding Promise's past performance, this annual report contains forward-looking statements, including plans and strategies that are based on the management's current assumptions and beliefs in light of currently available information. Forward-looking statements involve inherent risks and uncertainties, including, without limitation, risks associated with changes in the general economic conditions and business environment in Japan as well as changes to Japanese laws and regulations.

Financial Highlights

Consolidated Basis

Promise Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
For the Year:			
Total operating income	**¥ 359,641**	¥ 300,724	**$ 2,902,675**
Operating profit	**127,418**	106,027	**1,028,394**
Income before income taxes	**107,392**	103,201	**866,767**
Net income	**64,845**	58,572	**523,368**
Credit losses including provision for uncollectible loans	**55,990**	40,483	**451,899**
At Year-end:			
Total assets	**1,679,394**	1,477,849	**13,554,434**
Consumer loans receivable: Principal	**1,418,656**	1,159,253	**11,450,009**
Total shareholders' equity	**517,504**	438,091	**4,176,788**
Interest-bearing debt	**1,094,274**	970,598	**8,831,921**
Allowance for credit losses	**61,349**	44,411	**495,146**
Amounts per Share (Yen/U.S. Dollars):			
Net income, basic*	**¥ 525.02**	¥ 486.92	**$ 4.21**
Cash dividends	**90.00**	80.00	**0.73**
Shareholders' equity	**4,161.18**	3,602.80	**33.58**

*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 ¥123.90 to $1.00, the approximate exchange rate at March 31, 2001.

Non-Consolidated Basis

Promise Co., Ltd.
Years ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
For the Year:			
Total operating income	**¥ 292,774**	¥ 264,999	**$ 2,362,986**
Operating profit	**116,178**	102,339	**937,675**
Income before income taxes	**101,853**	100,303	**822,054**
Net income	**63,521**	57,238	**512,681**
Provision for uncollectible loans	**43,827**	34,866	**353,732**
At Year-end:			
Total assets	**1,503,919**	1,354,079	**12,138,166**
Consumer loans receivable: Principal	**1,228,026**	1,100,546	**9,911,431**
Total shareholders' equity	**501,332**	430,257	**4,046,265**
Interest-bearing debt	**952,354**	869,676	**7,686,473**
Allowance for credit losses	**46,500**	39,110	**375,303**
Amounts per Share (Yen/U.S. Dollars):			
Net income, basic*	**¥ 513.24**	¥ 475.84	**$ 4.11**
Shareholders' equity	**4,019.80**	3,538.37	**32.44**

*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 ¥123.90 to $1.00, the approximate exchange rate at March 31, 2001.

To Our Fellow Shareholders and Investors

Promise Co., Ltd., posted continuous growth throughout the fiscal year ended March 31, 2001, and was able to increase revenues and profits for the ninth consecutive term. In recent years, we have implemented many policies aimed at boosting performance, the results of which provide solid proof that our efforts are paying off. What follows is a discussion of Promise's financial situation and business performance.

The Japanese economy has shown no clear signs of recovery, and consumer spending is still flat. Furthermore, in March of the year under review, the Bank of Japan, in an attempt to revive the struggling economy, eased monetary policy and cut interest rates to nearly zero. The grim conditions driving the implementation of such drastic measures are likely to persist for the foreseeable future.

Of late, there have been two major shifts in the consumer finance industry. First, in June 2000 the revised Contributions Law of Japan came into effect, thereby lowering the maximum allowable interest rate that nonbank financial companies can charge. Second, competition in the industry has intensified due to an influx of banks and foreign capital

Masaaki Uchino,

Chairman and
Representative Director

Hiroki Jinnai,

President and
Representative Director

entering the market. As Promise had already been operating with interest rates that were lower than those mandated by the revised Contributions Law, the change did not exert a direct influence on its operations. However, faced with the incursion of new competition into the market, Promise has stepped up efforts to increase its sales potential through leveraging its know-how and developing financial products tailored to meet the demands of the market. In other words, at Promise, we are working to identify market trends and adapt our business accordingly.

Reacting quickly, Promise has taken advantage of shifts in its operating environment to aggressively implement a new strategic agenda. Underlying this agenda is Promise Vision, the long-term guidelines we unveiled in December 1998. Three goals are set forth in Promise Vision: specialization, focus, and evolution. Specialization represents our commitment to sharpening our aim within the consumer finance industry. Focus underscores our intent to strengthen our product development and improve our IT-based customer services. Evolution signifies our drive to make Promise into our customers' long-term "Personal Main Bank."

In January 1999, we delivered on our plan to strengthen the Promise brand by introducing a Visual Identity (VI) program based on the Promise Vision guidelines. Through this program, we introduced a new black and yellow logo that distinguishes us from our competitors and which has resulted in increased brand recognition, a wider customer base, and a higher level of customer retention. Another success has been the Promise–JCB credit card, which we issued with the goal of fostering long-term relationships with our customers.

In the fiscal year under review, Promise jumped ahead of the competition to create and implement an M&A strategy that involved purchasing three companies—Rich Co., Ltd., Shinkou Co., Ltd., and Towa Co., Ltd.—and making them wholly owned Promise subsidiaries. Viewed in conjunction with the establishment of MOBIT Co., Ltd., a joint venture with the Sanwa Bank, Ltd., that began operations in September 2000, this strategic approach has moved Promise toward providing customers with comprehensive consumer finance services. In addition, plans are on track to develop more M&A strategies, strengthen the Promise Group, and boost consolidated performance.

In the period under review, Promise experienced strong growth and improved business performance. The consolidated balance of loans outstanding grew 22.4% over the previous year, to ¥1,418.6 billion, consolidated total operating income rose 19.6% from the previous fiscal year, to ¥359.6 billion, income before income taxes gained 4.1%, to reach ¥107.3 billion, and net income climbed 10.7% over the previous year, to ¥64.8 billion. In addition, we will be paying dividends of ¥90 per share. Once again, we are proud of this term's performance as we feel it reflects the success of our strategic approach. We pledge to remain flexible in our response to the rapid market changes that we face and to redouble our efforts to ensure that we live up to the expectations of our investors and shareholders.

July 2001

Masaaki Uchino,
Chairman and Representative Director

Hiroki Jinnai,
President and Representative Director

Outline of Strategies

Promise Vision

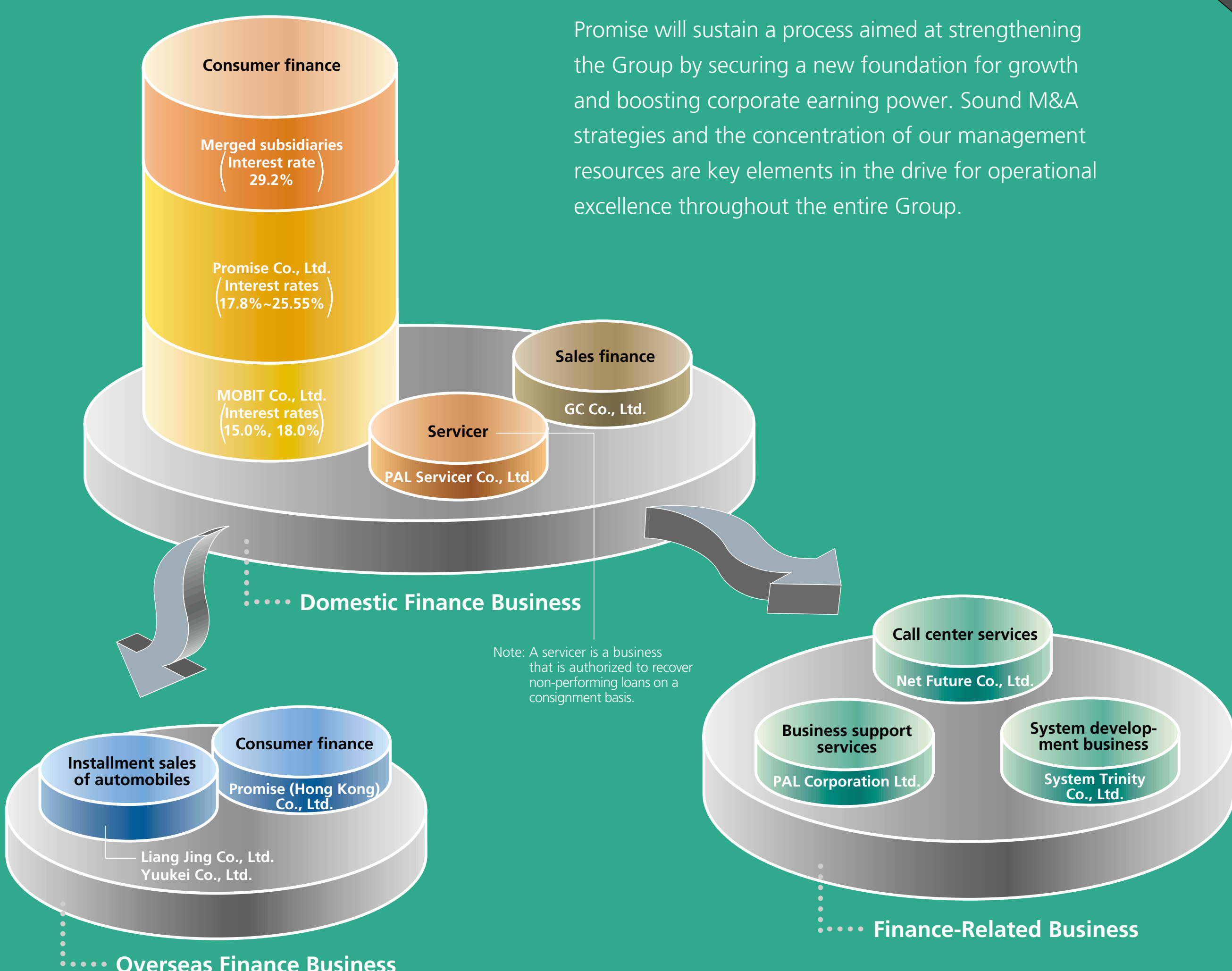
Specialization: We will continue to develop our business within the field of consumer finance, which is our special area of expertise.

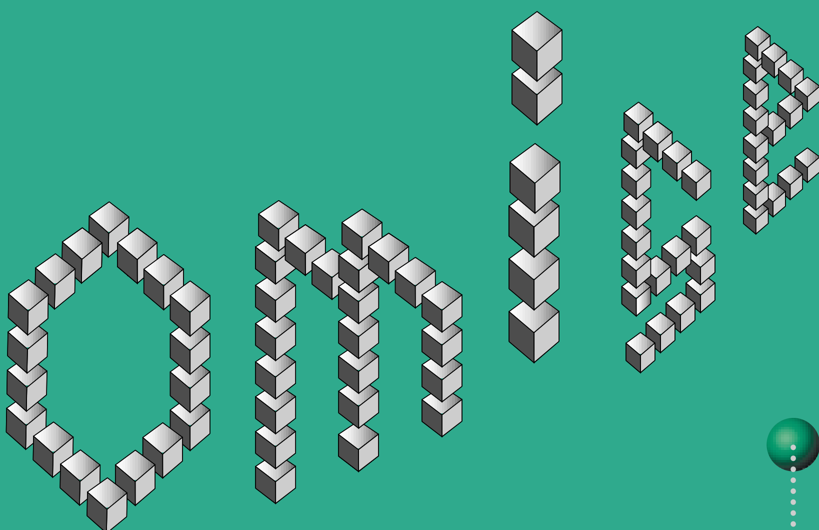
Focus: We will strengthen our product development and enhance our IT-based services.

Evolution: We will strive to become the equivalent of our customers' "Personal Main Bank."

Accelerated Group Strategy

Promise will sustain a process aimed at strengthening the Group by securing a new foundation for growth and boosting corporate earning power. Sound M&A strategies and the concentration of our management resources are key elements in the drive for operational excellence throughout the entire Group.





Prioritized Strategic Approach

Plans are in place to strengthen the Company's operational base by accommodating customers' needs and making use of the VI program to strengthen the corporate brand image. In addition, Promise will continue to make significant progress in improving customer communication as a means of minimizing the number of loan losses.

Strategic Progress Report 1

Accelerated Group Strategy

M&A

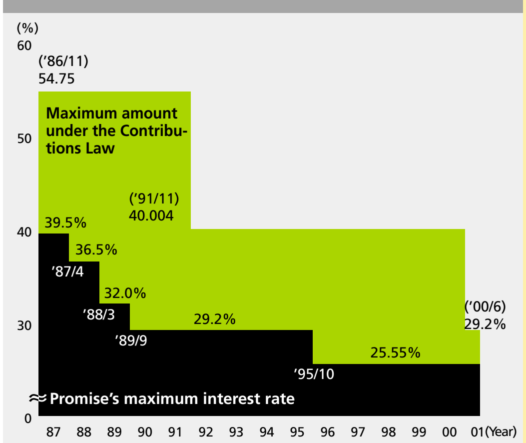
We are aggressively pursuing an M&A program aimed at second-tier consumer finance companies that will serve as a strategic foundation for the entire Promise Group. Through this program, we are augmenting the Group's operations in each segment of the consumer finance industry.

One of the primary factors behind our M&A program was the implementation, in June 2000, of the revised Contributions Law. Through this revision, the maximum allowable interest rate was lowered from 40.004% to 29.2% and, although there were about ten first-tier consumer finance companies already operating with interest rates below the revised legal maximum, the majority of the remaining second-tier companies were not. Thus, most of these companies have been forced to reassess the status of their operations, which has, in turn, spurred a reshuffling throughout the industry.

Viewing these changes as an opportunity for expansion, we fully acquired three second-tier consumer finance companies: Shinkou Co., Ltd., in April 2000; Rich Co., Ltd., in May 2000; and Towa Co., Ltd., in January 2001. As of the end of the term under review, the total value of loans outstanding for these three companies had reached ¥124.8 billion.

We are supporting the operations of these subsidiaries in several ways: we are supplying funds to lower fund-procurement costs; we are sustaining a process of system integration centered on joint ATM use; and we are promoting the sharing of business know-how through an exchange of personnel at the management level. Over the medium term, we are working to reduce the loan losses ratio by making our credit scoring system and credit management expertise available to these subsidiaries. Furthermore, on January 1, 2002, Promise will merge these three companies into Plat Corporation with a view to providing them with a more appealing brand image, improved administration efficiency, and an optimized network of branches and distribution of human resources. For the time being, we have prioritized activities aimed at providing operational support for these three companies, but, if conditions are favorable, we will promote additional M&A activities in the future.

Reductions in Maximum Interest Rates



Currently, the three acquired companies are operating with interest rates of 29.2%. MOBIT, which will be discussed later in this report, offers loans with interest rates of 15% and 18%, which are lower than Promise’s 25.55%. Through this strategic approach, the Promise Group is providing a full line of small consumer loans and is well positioned to meet the various funding needs of its customers.

Q&A

Is there any chance your M&A program will target companies that are outside the consumer finance industry?

Our basic corporate strategy aims to strengthen the earnings base of our consumer finance operations. This means that, for the most part, our M&A strategy does not include the acquisition of companies outside the consumer finance industry. However, we will give due consideration to all favorable opportunities.

Restructuring of Subsidiaries

We are continuing our Group restructuring efforts by improving efficiency and optimizing the distribution of management resources throughout our finance-related operations. As a part of this process, in September 2000 Promise dismantled two subsidiaries—PAL Service Co., Ltd., and Holiday Joy Travel Service Co., Ltd.—and transferred, in October of the same year, all of their operations to PAL Corporation Ltd. Similarly, in November 2000 PAL Research Center Co., Ltd., transferred its credit management operations to GC Co., Ltd., and its credit analysis operations to PAL Corporation. Then, in December of the same year PAL Research Center was dismantled. Furthermore, in February 2001 it was decided that PAL Corporation would also take over Promise's rental properties to consolidate its role as a provider of operational support to companies throughout the Promise Group.

Overseas, Promise liquidated its Hong Kong subsidiary, PAL INVESTMENT COMPANY LIMITED, in May 2001. This company was established in 1996 to serve as a base from which to launch an agricultural development business, called HAINAN FRIENDSHIP FARM CO., LTD. However, as this business is to be transferred, PAL INVESTMENT COMPANY is no longer needed and is undergoing liquidation.

In March of the year under review, after a long period of preparation, we entered the servicer* industry by establishing PAL Servicer Co., Ltd. It is believed that this company will make substantial contributions to the Promise Group's consolidated performance by drawing on Promise's extensive credit management know-how in loan losses.

* A servicer is a business 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.

MOBIT

In September 2000, MOBIT, a joint venture with Sanwa Bank and APLUS, began operations. Offering loans with interest rates of 15% and 18%, MOBIT is leveraging the strength of Sanwa Bank's brand image and business channel development capabilities as well as Promise's credit provision and management know-how to open a new market segment. Applications can be submitted over the telephone, the Internet, through the mail, or by using multifunction computerized terminals located at convenience stores, while payments and withdrawals can be made through ATMs owned by Promise, Sanwa Bank, and other affiliated companies. In this way, MOBIT is able to run low-cost operations without investing in physical branches. Plans are under way to boost MOBIT's name recognition through advertising focused on the Tokyo, Osaka, and Nagoya metropolitan areas.

In the six months since MOBIT's inception, it has achieved solid performance. During the term under review, MOBIT's customer base reached 36,000 people and its balance of loans outstanding grew to ¥20.1 billion.

MOBIT Overview

(As of July 2001)

Established	May 17, 2000
Capital	¥20.0 billion
Shareholders (contributed capital)	The Sanwa Bank, Ltd. (¥10.0 billion) Promise Co., Ltd. (¥9.0 billion) APLUS Co., Ltd. (¥1.0 billion)
Product	Revolving credit loans (loan range: ¥10,000—¥3 million)
Contract Channels	Phone, fax, Internet, multifunction computerized terminals
Payment/Withdrawal Channels	16,000 ATMs and CDs
Other	Guarantee loans (since November 2000)

Strategic Progress Report 2

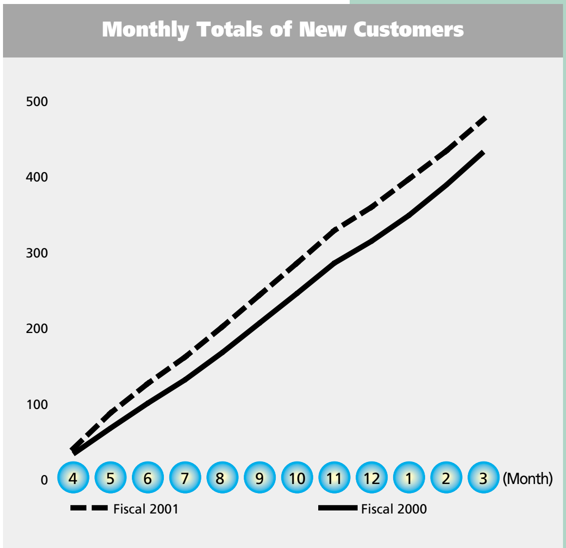
Prioritized Strategic Approach

Strengthening the Corporate Brand Image and Expanding Services

We are dedicated to boosting our earnings base by attracting new customers and improving our retention rate for existing customers. In order to accomplish this, the Company has prioritized its activities, placing special importance on strengthening its brand recognition through the VI program.

The positive results from this program are reflected in the growth of the Company's customer base. Through the VI program, Promise has put up its new logo, with distinctive yellow and black signage, at each branch and, at the same time, intensified its television and newspaper advertising campaigns through commercials and ads that draw attention to Promise's new logo and corporate image. Because of this, Promise has succeeded in raising the level of brand awareness among consumers. Increased brand awareness increases the probability that a potential customer will choose Promise when the need for funds arises, and this is why Promise's customer base has grown substantially. For the future, Promise has an advertising strategy in place that addresses the specific needs of the consumers in each market segment.

In addition, the Company issues Promise–JCB credit cards to lock in long-term customers. These cards offer a significant advantage to prime customers insofar as they combine cash and credit features in a single card. Since Promise began issuing the cards in June 1999, over 260 thousand cards have been issued and, of those cards, 90% are held by existing customers. Continued use by existing customers is proof that the Promise–JCB credit card offers a high degree of convenience and value.



Promise also began a cash-back service for both new and existing customers in October 2000. Through this service, prime customers with excellent credit histories can receive cash back on 5% of the yearly interest paid (¥10,000 maximum). It is through policies such as these that Promise is maintaining its strong relationship with customers and working to ensure growth in its earnings base.

Promise maintains contact with its customers through its application channels, and is in the process of diversifying these channels to address its customers' needs more fully. In recent years, this has included adapting to the growth of IT by establishing "Cybershop Promise," a virtual branch on the Internet through which the Company supplies valuable services to its customers. This site is accessible through such mobile terminals as i-Mode, EZweb, and J-SKY. In April 2000, Promise established an Internet section and began using Internet banners for advertising and marketing. Thus, the Company has expanded its existing telephone application and tie-up ATM channels, shortened its credit approval process, and, in February of the term under review, established an immediate transfer service. In this way, Promise has taken steps to enhance the convenience of its financial products.

Q&A

Some people feel that, due to Japan's shrinking population, growth in the consumer finance market is already near its peak. What is your response to this view?

Actually, it is our belief that not all of the demand in the market has manifested itself. Many potential customers are still hesitant to make use of consumer finance and, as a result, the number of private sector workers borrowing money is still low. Moreover, among the younger generation, the percentage of potential users who do not have reservations about using consumer finance is expected to increase. We strongly believe that, with precise knowledge of our customers' needs, there is still room to grow in this market.

Credit Management

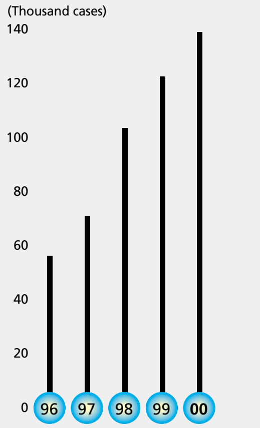
Financial institutions drive growth through two essential activities: increasing the balance of loans outstanding and minimizing expenses for loan losses. Promise's strategy to limit expenses due to lost loans is underpinned by its strict credit scoring system and its well designed credit management system. Recognizing the importance of an organization facilitating sound credit management, in April 2001 the Company reinforced its Credit Management Division as part of its corporate restructuring efforts. In addition, Promise attaches great importance to establishing good lines of communication with its customers. The Company offers counseling to help create repayment plans tailored to customers' specific needs. Through solid communication and realistic repayment plans, Promise is working to prevent the number of loan losses from increasing.

Throughout the term, the Japanese economy continued to stagnate. The number of personal bankruptcies increased at a slower rate than in previous years, but still grew more than 10% year on year. The ratio of write-offs for lost loans was 2.97%; the allowance for bad debts was ¥46.5 billion; and the ratio of reserves grew slightly year on year, to 3.79%. This was due to the rising number of personal bankruptcies coupled with increases in the number of lost loans, which, in turn, resulted from persistently high unemployment levels. In the midst of this environment, Promise is using its sound credit management system to keep down the ratio of lost loans.

Loan Categories and Stages in Loan Management

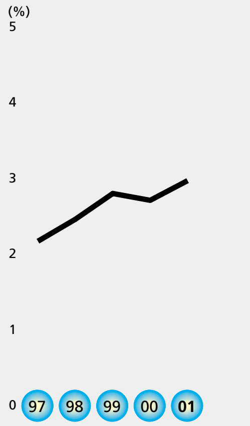
Note: Troubled receivables other than those abandoned due to death or personal bankruptcy continue to be managed.

Number of Personal Bankruptcies



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

Unsecured Loan Loss Ratio



Hedging Risks Associated with Changes in the Environment for Fund Procurement

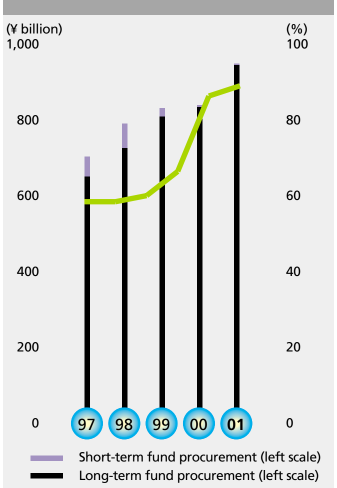
To improve the long-term stability of its fund procurement, Promise is concentrating on increasing the proportion of funds raised from direct capital market sources.

First, regarding capital market procurement, in 1999 the Nonbank Bond Issuing Law went into effect, thereby enabling nonbank financial companies to issue corporate bonds for the purpose of procuring funds for use in lending activities. Promise is working to ensure access to direct, capital market funds through the issuance of corporate bonds. In the term under review, the Company issued bonds amounting to ¥70.0 billion, and the ratio of direct, capital market procurement reached 26.8%.

Money market rates, which are low at present, may rise in the future. To minimize the risks associated with such a rise, Promise is striving to procure funds at fixed interest rates.

As part of its drive to diversify its funding sources, in February 2001 Promise had the Sumitomo Trust and Banking Co., Ltd., arrange a long-term three-year loan credit line with four banks, including some regional banks, for ¥15 billion. As of the end of the term, the total amount of funds secured through such credit lines as this had reached over ¥60 billion, representing a larger base of procured funds and improved flexibility and stability in Promise's fund procurement channels.

Fund Procurement

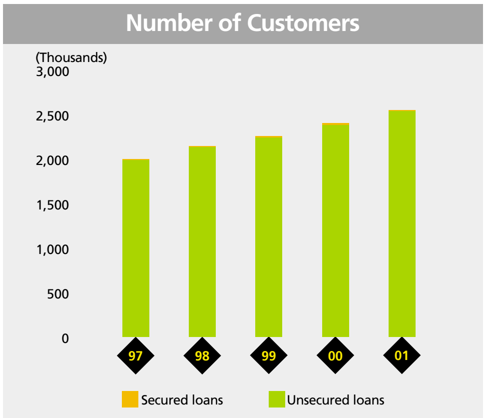


Promise's Ratings by Mainstay Rating Agencies

	Long-Term Debt	Short-Term Debt
Rating and Investment Information, Inc.	A	a-1
Japan Credit Rating Agency, Ltd.	AA-	J-1+
Standard & Poor's	BBB+	A-2
Moody's Investors Service	Baa1	

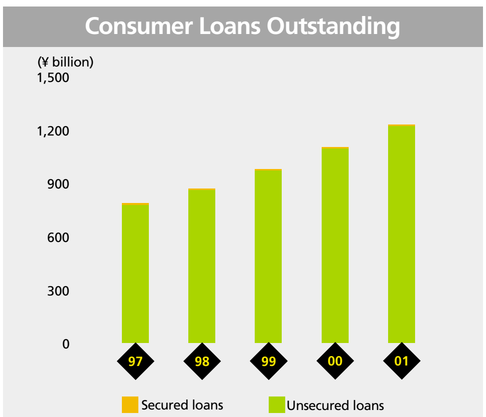
Data Section (Non-Consolidated Basis)

■Business Indicators



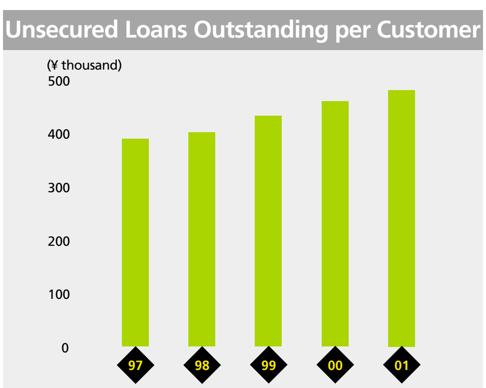
(Thousands)

	1997/3	1998/3	1999/3	2000/3	**2001/3**
Number of customers	1,992	2,136	2,242	2,384	**2,544**
Year-on-year growth (%)	*10.9*	*7.2*	*5.0*	*6.3*	***6.7***
Unsecured loans	1,991	2,135	2,240	2,381	**2,541**
Secured loans	1	1	2	2	**2**



(¥ million)

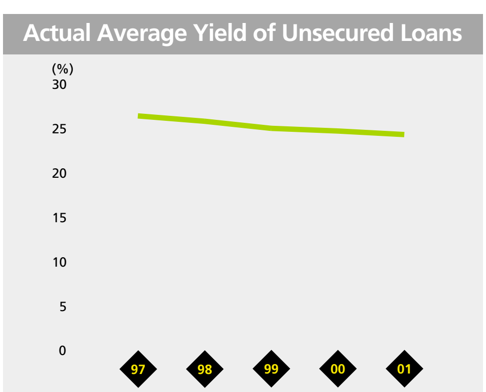
	1997/3	1998/3	1999/3	2000/3	**2001/3**
Consumer loans outstanding	784,201	866,633	976,613	1,100,546	**1,228,026**
Year-on-year growth (%)	*15.0*	*10.5*	*12.7*	*12.7*	***11.6***
Unsecured loans	775,160	858,225	967,880	1,093,725	**1,220,447**
Year-on-year growth (%)	*15.6*	*10.7*	*12.8*	*13.0*	***11.6***
Secured loans	9,041	8,408	8,733	6,820	**7,578**
Year-on-year growth (%)	*–21.2*	*–7.0*	*3.9*	*–21.9*	***11.1***



(¥ thousand)

	1997/3	1998/3	1999/3	2000/3	**2001/3**
Unsecured loans outstanding per customer	389	401	432	459	**480**

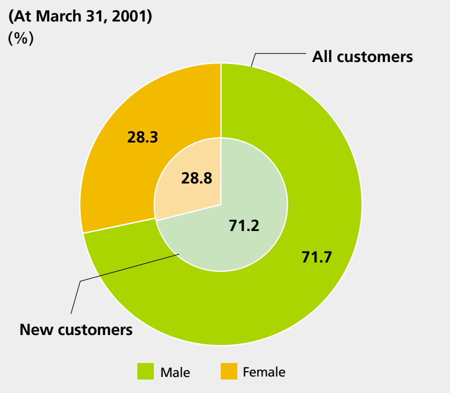
Note: Unsecured loans outstanding per customer =
unsecured loans outstanding (term-end) ÷ the number of customers (term-end)



(%)

	1997/3	1998/3	1999/3	2000/3	**2001/3**
Actual average yield of unsecured loans	26.3	25.7	24.9	24.6	**24.2**

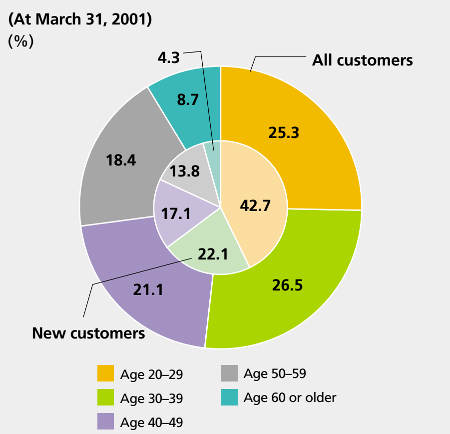
Number of Customers, by Gender



(Thousands)

	1997/3	1998/3	1999/3	2000/3	**2001/3**
All customers	1,991	2,135	2,240	2,381	**2,541**
Male	1,421	1,533	1,611	1,712	**1,823**
Female	569	602	629	669	**718**
New customers	470	420	395	430	**473**
Male	352	312	289	311	**336**
Female	118	107	105	119	**136**

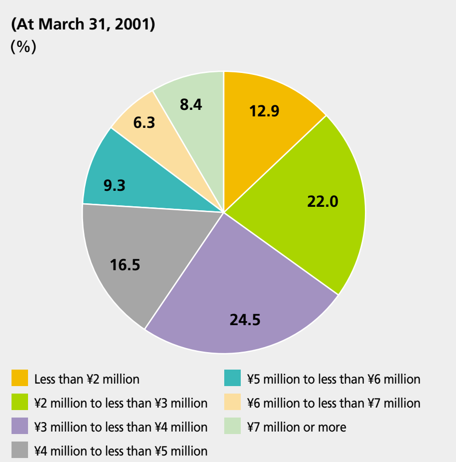
Number of Customers, by Age



(Thousands)

	1997/3	1998/3	1999/3	2000/3	**2001/3**
All customers	1,991	2,135	2,240	2,381	**2,541**
Age 20–29	529	572	592	619	**642**
Age 30–39	495	541	577	622	**673**
Age 40–49	499	506	509	518	**535**
Age 50–59	313	346	381	424	**468**
Age 60 or older	153	168	178	196	**221**
New customers	470	420	395	430	**473**
Age 20–29	221	200	185	195	**202**
Age 30–39	108	94	89	95	**104**
Age 40–49	90	76	69	73	**81**
Age 50–59	41	39	41	52	**65**
Age 60 or older	9	8	9	14	**20**

Number of New Customers, by Annual Income

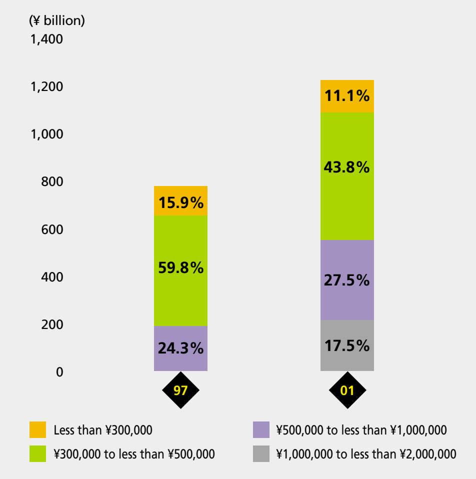


(Thousands)

	1997/3	1998/3	1999/3	2000/3	**2001/3**
New customers	470	420	395	430	**473**
Less than ¥2 million	37	39	42	50	**60**
¥2 million to less than ¥3 million	97	89	84	94	**104**
¥3 million to less than ¥4 million	121	106	99	107	**115**
¥4 million to less than ¥5 million	87	75	69	73	**78**
¥5 million to less than ¥6 million	49	42	38	40	**44**
¥6 million to less than ¥7 million	33	29	26	27	**29**
¥7 million or more	43	37	34	36	**39**

Customers with annual incomes of up to ¥7 million accounted for slightly more than 90% of all new accounts. Of the 45.0 million private sector wage earners in Japan, approximately 37.6 million fall into this income range (National Tax Administration Agency data, 1999), indicating substantial latent demand.

Unsecured Loans Outstanding, by Amount of Account

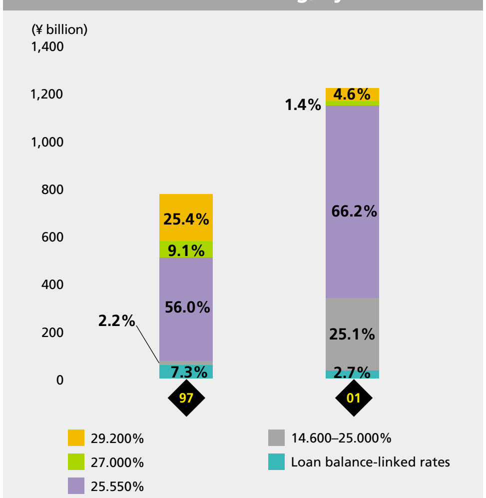


(¥ million)

	1997/3	1998/3	1999/3	2000/3	**2001/3**
Unsecured loans outstanding	775,160	858,225	967,880	1,093,725	**1,220,447**
Less than ¥300,000	123,247	122,087	122,882	132,653	**136,012**
¥300,000 to less than ¥500,000	463,786	513,200	515,802	523,353	**534,997**
¥500,000 to less than ¥1,000,000	188,126	222,936	264,592	286,740	**335,458**
¥1,000,000 to less than ¥2,000,000	—	—	64,601	150,977	**213,978**

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.

Unsecured Loans Outstanding, by Interest Rate

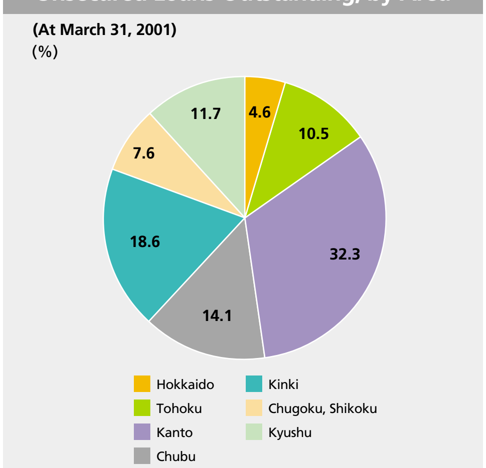


(¥ million)

	1997/3	1998/3	1999/3	2000/3	**2001/3**
Unsecured loans outstanding	775,160	858,225	967,880	1,093,725	**1,220,447**
Flat rates					
*29.200%	196,875	135,153	96,302	72,475	**55,745**
*27.000%	70,442	49,512	32,963	23,628	**17,093**
25.550%	433,896	580,961	685,357	758,304	**807,886**
25.000%	5,140	4,442	3,296	2,676	**21,246**
24.500%	—	—	—	—	**14,006**
23.900%	—	—	12,708	29,324	**39,406**
23.500%	—	—	—	—	**6,455**
22.995%	11,766	31,288	67,662	115,310	**137,179**
14.600–21.900%	—	—	21,496	51,055	**88,091**
Loan balance-linked rates					
*23.200–29.200% (Plan 1)	32,335	25,302	18,163	14,023	**10,715**
23.725–25.550% (Plan 2)	15,674	16,572	15,107	13,880	**11,804**
22.675–25.550% (Plan 3)	8,634	14,588	14,008	11,847	**9,849**
Other	394	402	813	1,200	**968**

Notes: 1. * refers to discontinued products.
2. Loan balance-linked rates are applied to unsecured loans according to the amount of the loan outstanding.

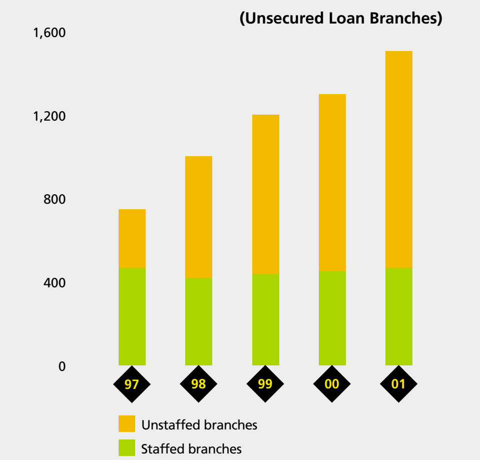
Unsecured Loans Outstanding, by Area



(¥ million)

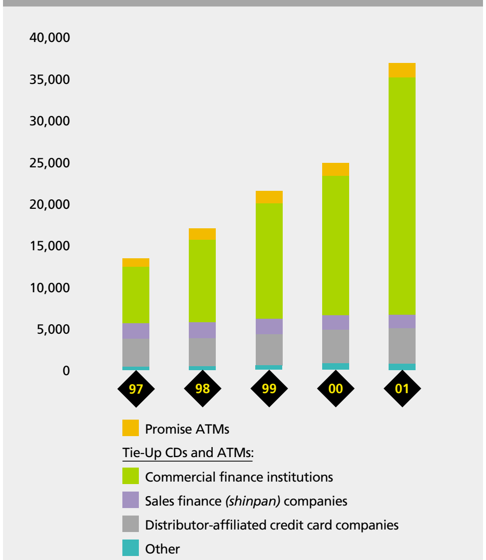
	1997/3	1998/3	1999/3	2000/3	**2001/3**
Unsecured loans outstanding	775,160	858,225	967,880	1,093,725	**1,220,447**
Hokkaido	40,814	44,745	49,382	53,072	**56,157**
Tohoku	80,141	90,284	102,239	115,759	**129,422**
Kanto	238,136	266,070	304,699	347,844	**396,192**
Chubu	111,059	122,056	137,275	156,795	**173,218**
Kinki	144,348	157,481	178,294	204,026	**228,954**
Chugoku, Shikoku	59,638	65,717	73,275	82,930	**93,377**
Kyushu	101,021	111,869	122,713	133,297	**143,125**

Number of Branches



	1997/3	1998/3	1999/3	2000/3	**2001/3**
Number of branches	760	1,015	1,207	1,299	**1,507**
Unsecured loan branches	748	1,003	1,201	1,299	**1,507**
Staffed branches	467	418	435	451	**466**
Unstaffed branches	281	585	766	848	**1,041**
Secured loan branches	2	2	2	—	**—**
Audio & video software rental	8	7	—	—	**—**
Outdoor and leisure goods	2	3	4	—	**—**
Number of automated credit providers	695	977	1,164	1,258	**1,458**

Number of Channels

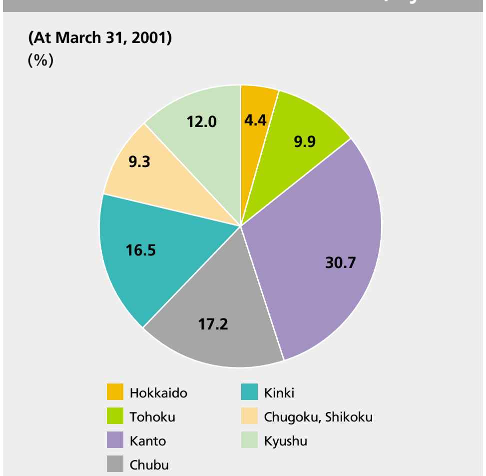


	1997/3	1998/3	1999/3	2000/3	**2001/3**
Number of channels	13,400	17,037	21,475	24,843	**36,865**
Promise ATMs	1,056	1,335	1,511	1,590	**1,777**
Tie-Up CDs and ATMs	12,344	15,702	19,964	23,253	**35,088**
Commercial finance institutions	6,778	9,911	13,830	16,715	**28,507**
Sales finance *(shinpan)* companies	1,871	1,920	1,844	1,729	**1,632**
Distributor-affiliated credit card companies	3,310	3,435	3,769	4,048	**4,207**
Other	385	436	521	761	**742**
Intermediaries					
Convenience stores (FamilyMart)	—	—	5,280	5,532	**5,798**

Tie-Up Affiliates as of March 31, 2001

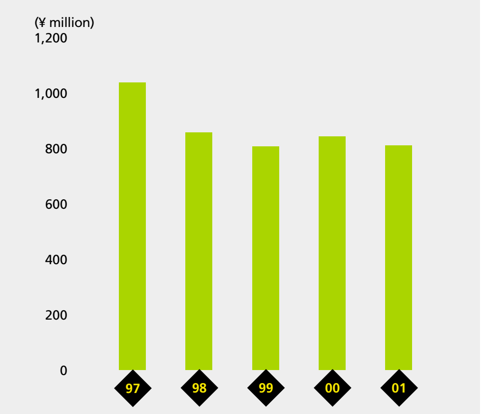
Type of Institution	Number of Affiliates	Main Affiliates
Commercial finance institutions	73	Sanwa Bank North Pacific Bank
Sales finance *(shinpan)* companies	7	Nippon Shinpan Central Finance
Distributor-affiliated credit card companies	10	Credit Saison Daiei OMC
Other	3	Tokyo City Finance

Number of Unsecured Loan Branches, by Area



	1997/3	1998/3	1999/3	2000/3	**2001/3**
Unsecured loan branches	748	1,003	1,201	1,299	**1,507**
Hokkaido	40	50	58	63	**67**
Tohoku	88	113	131	132	**148**
Kanto	226	305	365	399	**463**
Chubu	114	147	191	200	**259**
Kinki	127	176	213	238	**249**
Chugoku, Shikoku	62	90	102	117	**140**
Kyushu	91	122	141	150	**181**

Unsecured Loans Outstanding per Branch

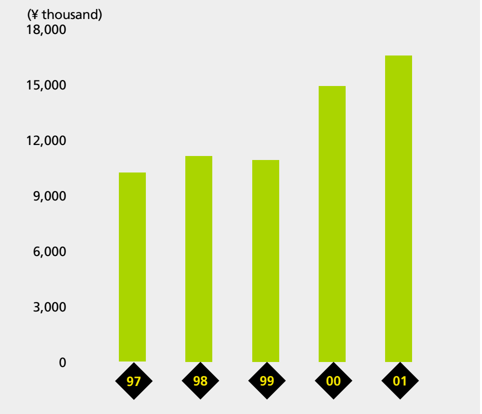


(¥ million)

	1997/3	1998/3	1999/3	2000/3	**2001/3**
Unsecured loans outstanding per branch	1,036	855	805	841	**809**

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

Net Income per Employee



	1997/3	1998/3	1999/3	2000/3	**2001/3**
Number of employees	3,402	3,482	3,692	3,847	**3,844**
Male	1,974	2,010	2,118	2,205	**2,198**
Female	1,428	1,472	1,574	1,642	**1,646**
Loans outstanding per employee (¥ million)	230	248	264	286	**319**
Net income per employee (¥ thousand)	10,197	11,105	10,881	14,878	**16,524**

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 = non-consolidated net income ÷ number of employees (term-end)

At March 31, 2001, the average age of employees was 32.3 years (36.1 for males and 27.3 for females), while the average period of continuous service was 8.4 years (11.3 for males and 4.5 for females).

■Industry Data

New Consumer Credit, by Type of Lender

(¥100 million, %)

	1995/12	*YOY*	1996/12	*YOY*	1997/12	*YOY*	1998/12	*YOY*	**1999/12**	***YOY***
Consumer credit	728,595	*3.0*	756,177	*3.8*	765,205	*1.2*	760,811	*–0.6*	**731,252**	***–3.9***
Sales on credit	300,608	*5.5*	322,020	*7.1*	330,416	*2.6*	330,469	*0.0*	**332,667**	***0.7***
Consumer finance	427,987	*1.3*	434,157	*1.4*	434,789	*0.1*	430,342	*–1.0*	**398,585**	***–7.4***
Of which, consumer loans	210,906	*5.9*	220,522	*4.6*	230,077	*4.3*	232,100	*0.9*	**228,669**	***–1.5***
Commercial finance institutions	63,037	*–4.7*	58,544	*–7.1*	55,521	*–5.2*	49,343	*–11.1*	**39,788**	***–19.4***
Consumer finance companies (including Promise)	66,103	*16.5*	75,886	*14.8*	83,550	*10.1*	91,404	*9.4*	**94,966**	***3.9***
Sales finance (*shinpan*) companies	37,003	*8.3*	38,784	*4.8*	39,553	*2.0*	37,285	*–5.7*	**38,733**	***3.9***
Bank-affiliated credit card companies	26,803	*5.4*	28,151	*5.0*	29,925	*6.3*	31,294	*4.6*	**31,614**	***1.0***
Distributor-affiliated credit card companies	8,850	*11.9*	9,770	*10.4*	11,763	*20.4*	12,849	*9.2*	**13,609**	***5.9***
Others	9,110	*4.8*	9,387	*3.0*	9,765	*4.0*	9,925	*1.6*	**9,959**	***0.3***

Note: "YOY" stands for year-on-year percentage increase or decrease.
Source: Japan Credit Industry Association, *Japan Credit Industry Statistics 2001*

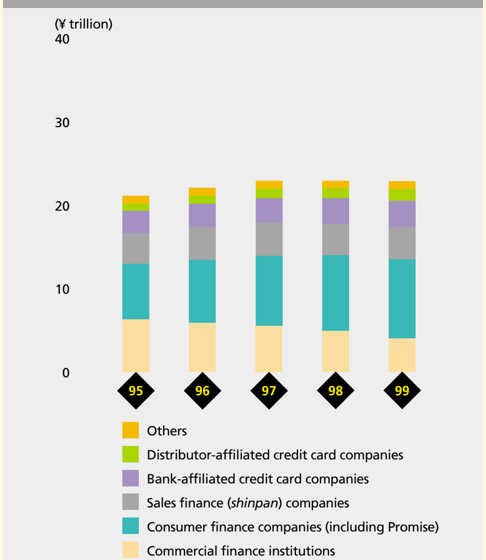
Consumer Credit Outstanding, by Type of Lender

(¥100 million, %)

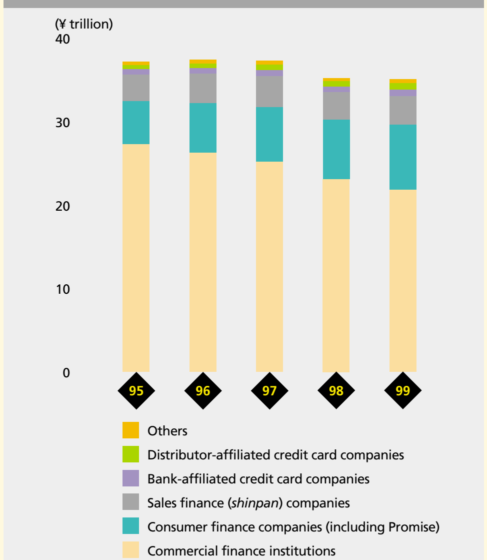
	1995/12	*YOY*	1996/12	*YOY*	1997/12	*YOY*	1998/12	*YOY*	**1999/12**	***YOY***
Consumer credit	748,005	*–0.1*	752,407	*0.6*	743,335	*–1.2*	709,823	*–4.5*	**668,243**	***–5.9***
Sales on credit	177,166	*4.1*	182,892	*3.2*	182,621	*–0.1*	171,535	*–6.1*	**163,518**	***–4.7***
Consumer finance	570,839	*–1.4*	569,515	*–0.2*	560,714	*–1.5*	538,288	*–4.0*	**504,725**	***–6.2***
Of which, consumer loans	372,017	*–0.1*	374,035	*0.5*	372,867	*–0.3*	355,959	*–4.5*	**351,211**	***–1.3***
Commercial finance institutions	272,482	*–4.0*	262,502	*–3.7*	251,897	*–4.0*	231,478	*–8.1*	**217,957**	***–5.8***
Consumer finance companies (including Promise)	52,082	*15.8*	59,634	*14.5*	65,179	*9.3*	71,371	*9.5*	**78,586**	***10.1***
Sales finance (*shinpan*) companies	31,807	*9.1*	34,968	*9.9*	37,278	*6.6*	33,387	*–10.4*	**33,995**	***1.8***
Bank-affiliated credit card companies	6,434	*4.5*	6,910	*7.4*	7,477	*8.2*	7,848	*5.0*	**8,335**	***6.2***
Distributor-affiliated credit card companies	4,840	*16.7*	5,415	*11.9*	6,173	*14.0*	6,953	*12.6*	**7,433**	***6.9***
Others	4,372	*3.8*	4,606	*5.4*	4,863	*5.6*	4,922	*1.2*	**4,905**	***–0.3***

Note: "YOY" stands for year-on-year percentage increase or decrease.
Source: Japan Credit Industry Association, *Japan Credit Industry Statistics 2001*

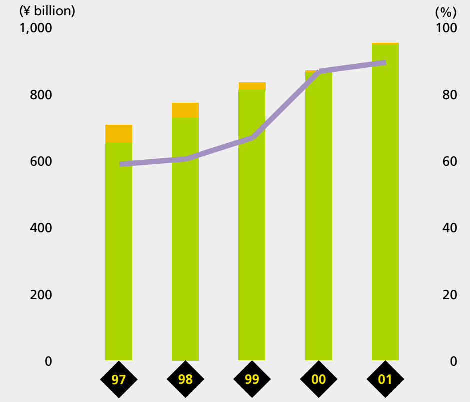
New Consumer Credit, by Type of Lender



Consumer Credit Outstanding, by Type of Lender



Fund Procurement



(¥ million)

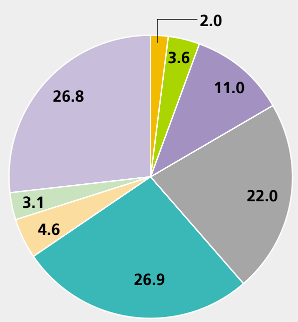
	1997/3	1998/3	1999/3	2000/3	**2001/3**
Total fund procurement (interest-bearing debt)	706,111	792,473	834,048	869,676	**952,354**
Short-term fund procurement	53,000	64,800	22,800	6,400	**4,900**
Ratio of short-term fund procurement (%)	7.5	8.2	2.7	0.7	**0.5**
Short-term borrowings	53,000	44,800	22,800	6,400	**4,900**
Commercial paper	—	20,000	—	—	**—**
Long-term fund procurement	653,111	727,673	811,248	863,276	**947,454**
Ratio of long-term fund procurement (%)	92.5	91.8	97.3	99.3	**99.5**
Long-term borrowings	633,111	688,742	742,317	678,276	**692,454**
Fixed interest rate	349,594	438,826	474,206	436,504	**454,462**
Variable interest rate	283,516	249,916	268,111	241,772	**237,992**
Of which, interest rate swaps and caps	45,000	—	12,840	141,720	**160,600**
Straight bonds	10,000	30,000	60,000	185,000	**255,000**
Convertible bonds	10,000	8,930	8,930	—	**—**
Actual fixed ratio (%)	58.7	60.3	66.7	86.6	**89.3**
Average interest rate on fund procurement	3.00	2.68	2.56	2.40	**2.24**

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, 2001, the Company's actual fixed ratio stood at 89.3%, including corporate bonds.

Fund Procurement, by Category

(At March 31, 2001)
(%)



(¥ million)

	1997/3	1998/3	1999/3	2000/3	**2001/3**
Total borrowings	686,111	733,542	765,117	684,676	**697,354**
City banks	31,310	25,745	20,447	15,460	**18,719**
Regional banks	37,122	40,590	45,274	33,104	**34,575**
Long-term credit banks	99,948	104,948	108,224	105,204	**105,204**
Trust banks	189,200	196,185	210,907	214,783	**209,308**
Non-Japanese banks	9,000	24,000	29,000	2,260	**23,940**
Credit associations	2,000	2,000	2,000	1,520	**2,620**
Life insurance companies	272,730	286,955	287,588	263,327	**256,390**
Non-life insurance companies	44,100	52,419	58,477	46,678	**43,578**
Leasing, finance, and other companies	700	700	3,200	2,340	**3,020**
Corporate bonds and other	20,000	58,930	68,930	185,000	**255,000**
Straight bonds	10,000	30,000	60,000	185,000	**255,000**
Convertible bonds	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, 2001, corporate bonds and other (funds procured directly from capital markets) as a percentage of total fund procurement was 26.8%.

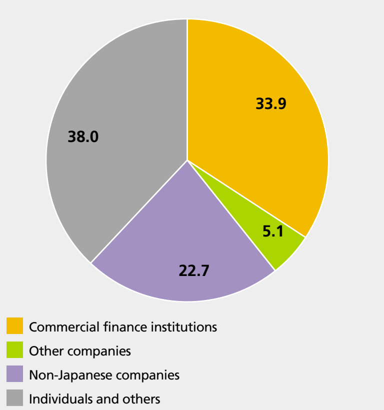
■Bond Issues (As of March 31, 2001)

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
Straight bonds	Apr. 26, 2000	10,000	Apr. 25, 2008	2.27	A (R&I) AA– (JCR)	Consumer loans funding
Straight bonds	May 31, 2000	10,000	June 1, 2012	2.90	A (R&I) AA– (JCR)	Consumer loans funding
Straight bonds	June 14, 2000	20,000	June 14, 2007	2.04	A (R&I) AA– (JCR)	Consumer loans funding
Straight bonds	Oct. 6, 2000	10,000	Oct. 6, 2005	2.08	A (R&I) AA– (JCR)	Consumer loans funding
Straight bonds	Nov. 21, 2000	10,000	Nov. 21, 2005	Floating rate note (Six-month yen LIBOR+0.75%)	A (R&I) AA– (JCR)	Consumer loans funding
Straight bonds	Feb. 1, 2001	10,000	Feb. 1, 2005	1.75	A (R&I) AA– (JCR)	Consumer loans funding

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

Composition of Shareholders

(At March 31, 2001)
(%)



	1997/3	1998/3	1999/3	2000/3	**2001/3**
Number of shares outstanding at term-end (thousands)	98,528	108,615	119,615	121,597	**124,715**
Commercial finance institutions	28,047	33,743	39,007	40,519	**42,281**
Percentage of total (%)	*28.5*	*31.1*	*32.6*	*33.3*	***33.9***
Other companies	8,434	9,152	7,935	6,836	**6,366**
Percentage of total (%)	*8.6*	*8.4*	*6.6*	*5.6*	***5.1***
Non-Japanese companies	14,113	16,942	24,095	25,992	**28,278**
Percentage of total (%)	*14.3*	*15.6*	*20.1*	*21.4*	***22.7***
Individuals and others	47,932	48,776	48,575	48,247	**47,437**
Percentage of total (%)	*48.6*	*44.9*	*40.6*	*39.7*	***38.0***
Number of shareholders	6,017	4,407	5,622	7,396	**4,660**

Financial Review

Overview

During the consolidated accounting period ended March 31, 2001, the impact of decelerating economic expansion in the United States gave rise to increasing uncertainties about the future direction of the Japanese economy as a whole. This also had a negative impact on the employment situation and personal income amid an already harsh employment environment. In addition, competition further intensified in the consumer finance market—the Promise Group's main business field. We have also seen widespread adoption of the Internet, brought about by advances in IT and e-commerce, which has accompanied the spread of mobile phones. Furthermore, the trend toward mergers between large-scale companies and strategic corporate alliances suggests the possibility of significant changes in the future market structure.

To respond proactively to such a volatile environment, the Promise Group is in the process of integrating and realigning Group companies and striving to create a Group structure that will make better use of the Company's strength as a leading consumer finance company while promoting effective use of the Group's management resources and development of a high-quality, strong operating base.

As a result, consolidated operating income during the year under review increased 19.6%, to ¥359,641 million ($2,902,675 thousand), due to a strong performance centered on the parent company and the inclusion of the earnings results of newly consolidated subsidiaries. Operating profit rose 20.2%, to ¥127,418 million, and net income expanded 10.7%, to ¥64,845 million.

Cash and cash equivalents declined ¥27,361 million, to ¥103,968 million. Although income before income taxes and other adjustments were at a high level, consumer loans outstanding increased and fund procurement declined. Regarding dividends applicable to the period, Promise's policy is to return a portion of profits to its shareholders, taking into consideration the favorable earnings performance. Promise declared an annual dividend of ¥90 per share (including the mid-term dividend payment), up ¥10 from the previous fiscal year. This is the seventh consecutive dividend payment increase since the listing of our shares.

Operating Results: Operating Income, Operating Expenses, and Operating Profit

Consolidated operating income during the year under review increased 19.6%, or ¥58,917 million, to ¥359,641 million ($2,902,675 thousand). Consumer loans receivable expanded 22.4%, to ¥1,418,656 million, which resulted in interest on consumer loans advancing 20.6%, or ¥56,078 million, to ¥327,821 million ($2,645,850 thousand). In addition to a strong performance by the parent company, the inclusion of three new consolidated subsidiaries—Rich Co., Ltd., Shinkou Co., Ltd., and Towa Co., Ltd.—raised the total balance of consumer loans receivable.

However, the interest on consumer loans of Towa Co., Ltd., was not included in the figures for the year under review because the acquisition date for additional stocks of the company by the parent is now regarded as being at the end of the consolidated accounting year.

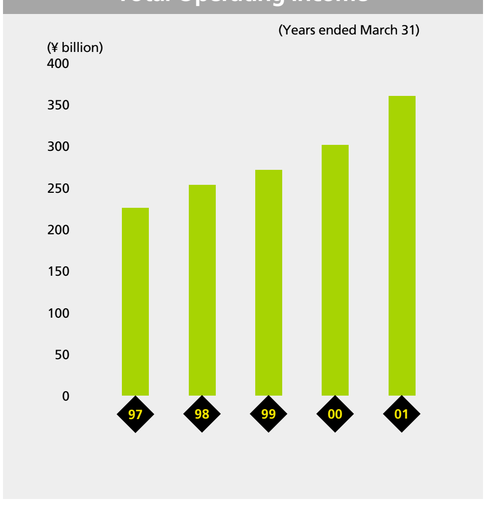
The actual average yield per annum on loans to consumers rose 0.11 percentage point, to 25.48%, due primarily to the relatively higher yields of the newly consolidated subsidiaries. Other operating income increased 26.3%, or ¥3,997 million, to ¥19,199 million, due to a large increase in income from the recovery of the previously written-off balances of consumer loans and their accompanying interest.

Sales decreased slightly, to ¥12,621 million, owing to depressed car sales at an overseas subsidiary. As a percentage of finance-related income, consolidated operating income rose 0.8 percentage point, to 95.3%. Over the past six fiscal years, the Promise Group has reported a record average annual growth of 12.3% in operating income.

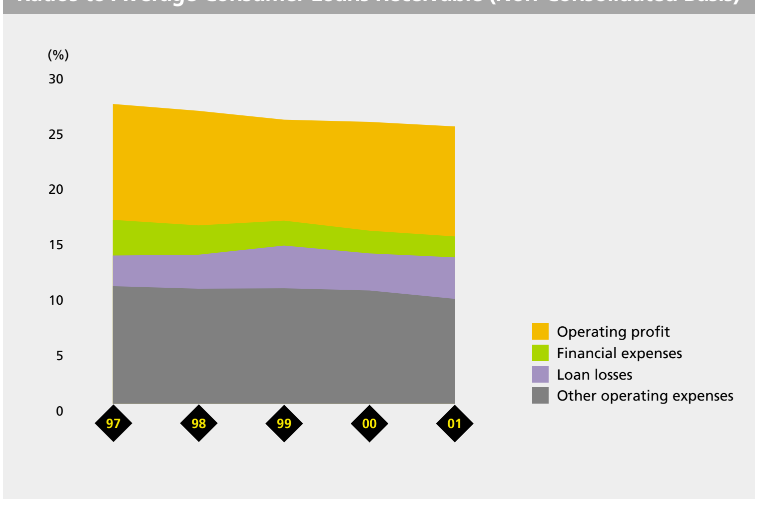
Consolidated operating expenses rose 19.3%, or ¥37,526 million, to ¥232,223 million ($1,874,281 thousand), slightly below the rate of growth for operating income. The principal reason for this increase was higher general and administrative (G&A) expenses, which increased 17.2%, or ¥20,334 million, during the fiscal year, to ¥138,407 million ($1,117,088 thousand). As for general expenses, except for strategic advertising expenses and other Company policy-related expenses, the Group as a whole has made concerted efforts to maximize efficiency and implement costcutting measures. The size of the increase was attributable primarily to the existing costs of the aforementioned newly consolidated subsidiaries.

A breakdown of G&A shows advertising expenses increased 45.1%, or ¥8,084 million, to ¥25,998 million ($209,834 thousand), due to an aggressive television commercial and newspaper advertising campaign to promote our corporate VI and distinctive yellow signage. Advertising expenses accounted for 18.7% of G&A expenses. Employees' salaries and bonuses, which accounted for 21.7% of G&A expenses, rose 14.8%, or ¥3,862 million, to ¥30,045 million, owing to the inclusion of personnel expenses of the newly consolidated subsidiaries. Rent expenses, representing 9.6% of G&A expenses, increased 7.3%, or ¥906 million, to ¥13,264 million, due to the inclusion of the rental fees of the existing outlets and equipment of the newly consolidated subsidiaries.

Total Operating Income



Ratios to Average Consumer Loans Receivable (Non-Consolidated Basis)



Among other expenses, a primary expense is commission payments relating to computer system development and charges for providing customer credit information, which rose 7.5%, or ¥977 million, to ¥14,062 million, accounting for 10.2% of total G&A expenses. In addition, special cost increases during the period include the cost of retirement benefit allowances, which surged 100.6%, or ¥2,026 million, to ¥4,039 million, accounting for 2.9% of total G&A expenses. This surge was due primarily to an increase in accumulated retirement benefit expenses because of the introduction of retirement benefit accounting. Credit losses including provision for uncollectible loans increased 39.6%, or ¥15,838 million, to ¥55,990 million. This addition was made in view of the upward trend in personal bankruptcies and the condition of the newly consolidated subsidiaries with the aim of taking all available measures to ensure asset soundness.

Financial expenses, which consist almost entirely of interest payments, rose only 11.6%, or ¥2,782 million, to ¥26,714 million ($215,607 thousand), because long-term interest rates rose only slightly despite a substantial increase in interest-bearing debt backed by an expansion in consumer loans. The average interest rate on long-term debt, which accounts for 97.0% of total borrowings, including corporate bonds, fell from 2.534% to 2.305%. The main reasons for the fall were the refinancing of high-interest funds, direct fund-raising in capital markets, and an increase in long-term funds. Thus, the ratio of fixed rate fund procurement to total borrowings rose from 81.9% to 83.4% at the end of March 2001. As market rates are likely to rise from their extremely low levels, an increase in fixed rate fund procurement will provide Promise with a substantial cushion against any increases in market rates. At Promise's Taiwanese subsidiary, the cost of sales for products—primarily automobiles—fell 9.0%, to ¥11,112 million, in line with the decline in sales.

As a result of these factors, operating profit rose ¥21,391 million, or 20.2%, to ¥127,418 million ($1,028,394 thousand), and the operating profit ratio increased 0.1 percentage point, to 35.4%.

Other Income (Expenses) and Net Income

Total other expenses, net, expanded ¥17,200 million, to ¥20,026 million. Net loss on sales or disposal of property and equipment surged ¥16,067 million, to ¥18,242 million, which was attributable to the Company's sale of all its rental properties in one package to its subsidiary Pal Corporation Ltd. Other items include a decline in profits due to equity in net losses of affiliates totaling ¥3,154 million, a loss on the devaluation of a golf club membership of ¥1,110 million, and an absence of ¥2,094 million worth of profits from special-purpose anonymous associations for leveraged lease transactions (Tokumei Kumiai) during the period under review, due to their liquidation.

Positive factors included an increase in equity in earnings of ¥869 million, to ¥1,862 million, from special-purpose companies and net gain on sales of investments securities, which rose ¥1,422 million, to ¥1,956 million. Other positive factors include ¥639 million in proceeds from the liquidation of unconsolidated subsidiaries and the absence of the ¥1,454 million, one-time provision of unfunded employees' retirement benefits arising from the introduction of new accounting standards during the previous fiscal year.

As a result, income before income taxes rose 4.1%, or ¥4,191 million, to ¥107,392 million ($866,767 thousand). Net income for the year was ¥64,845 million ($523,368 thousand), which was 10.7%, or ¥6,273 million, higher than that for the previous fiscal year. The difference in the rate of profit increase is due to the admission of affiliated companies' stock appraisal losses following the introduction of tax-effect accounting, which reduced the tax burden for corporate and other taxes from 42.8% to 39.6%.

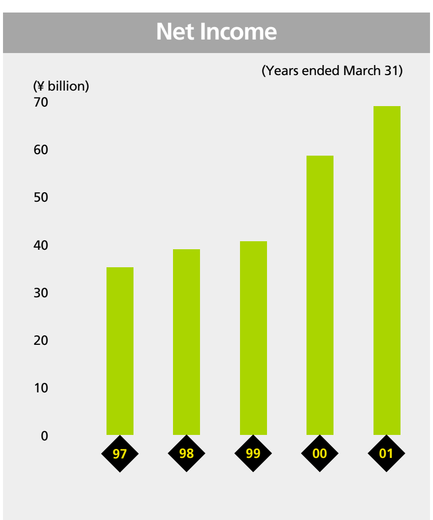
Basic net income per share rose ¥38.10, to ¥525.02 ($4.21), and the return on equity ratio (ROE) was 13.57%.

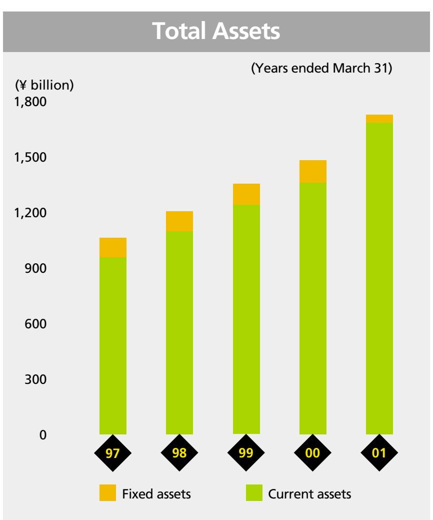
Financial Position

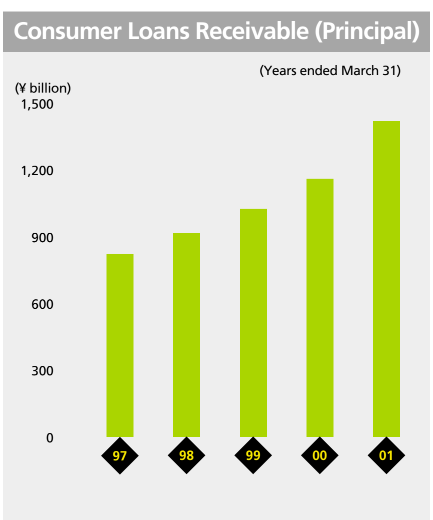
At fiscal year-end, total assets rose 13.6%, or ¥201,545 million, to ¥1,679,394 million. As stated earlier, this was due primarily to the 22.4%, or ¥259,403 million, surge in principal consumer loans receivable, to ¥1,418,656 million. In view of this rise in principal consumer loans receivable and the condition of newly consolidated subsidiaries, the Company increased the allowance for credit losses 38.1%, or ¥16,938 million, to ¥61,349 million, to ensure the quality of assets.

On the other hand, cash and cash equivalents declined ¥27,361 million, to ¥103,968 million, due to fund demand accompanying the large increase in consumer loans receivable. Moreover, restraints on fund procurement necessitated the use of a portion of cash on hand to fund the shortfall. The Company was able to reduce its cash position through the active use of commitment facilities (special credit lines) and other funding schemes that allow it to have flexible and efficient access to liquidity.

Total current assets rose 15.5%, or ¥210,204 million, to ¥1,565,165 million. Total investments and advances increased ¥6,356 million, to ¥54,644 million. This was due primarily to the acquisition of additional







shares in consolidated subsidiaries, after which the excess investment cost over net assets of consolidated subsidiaries' acquired accounts increased ¥6,158 million. Property and equipment, net, fell ¥15,553 million, to ¥44,354 million. Losses were generated on Promise's sale of all its rental properties to its consolidated subsidiary PAL Corporation Ltd. Consequently, total current assets declined ¥15,414 million on land sales.

Total liabilities at fiscal year-end increased ¥122,132 million, to ¥1,161,890 million. Of this total, short- and long-term interest-bearing debt, including corporate bonds, increased ¥123,676 million, to ¥1,094,274 million. On a cash flow basis, additional funds raised, net of repayments, amounted to an increase of ¥28,421 million. The remainder was largely accounted for by the debt of newly consolidated subsidiaries. Meanwhile, accounts payable and other liabilities fell ¥1,544 million, to ¥67,616 million.

Total shareholders' equity rose ¥79,413 million, to ¥517,504 million. Of this total, common stock rose ¥156 million and additional paid-in capital increased ¥23,792 million, owing to the issuance of additional stock by the parent company in connection with the increase in the Company's holdings in Rich Co., Ltd., and Towa Co., Ltd., making them wholly owned companies through the application of the simplified share exchange method as provided for under the provisions of the Commercial Code of Japan. Consolidated retained earnings, derived mainly from net income for the period, rose ¥54,166 million, to ¥384,668 million. Among other items, accompanying the change in standards for accounting for financial instruments, the Company credited ¥4,518 million in unrealized valuation gains on securities directly to shareholders' equity based on the fair market value method. In addition, accompanying the adoption of a stock option plan, ¥2,921 million in treasury stock was subtracted from shareholders' equity for the period under review. As a result of these factors, the Company's shareholders' equity ratio increased an additional 1.2 percentage points, rising from 29.6% to 30.8%, thus maintaining a high level in the consumer finance industry.

Credit Losses Written Off

Credit losses written off for the year under review, including unsecured and secured loans, totaled ¥48,789 million, up ¥14,701 million. The ratio of credit losses to total outstanding consumer loans at the end of the fiscal year rose 0.5 percentage point, from 2.94% to 3.44%, owing to the surge in the number of personal bankruptcies and the inclusion of credit losses of the newly consolidated firms Rich Co., Ltd., and Shinkou Co., Ltd. Despite a 13.5% increase in the number of personal bankruptcies in 2000, 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

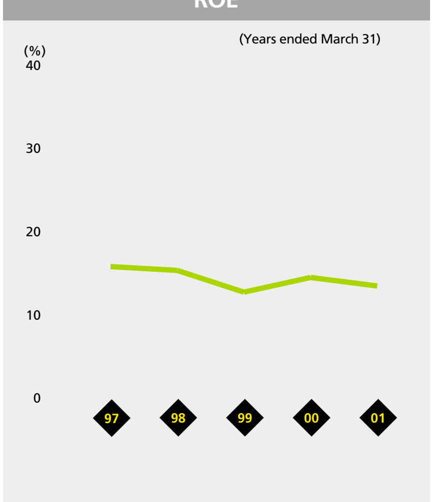
During the fiscal year under review, we made use of our high credit ratings to diversify our funding in Japan. Sources tapped included the issuance of commercial paper and unsecured straight-bonds as well as funding operations that make use of interest rate caps, interest rate swaps, and other financial instruments. Of particular note was ¥72,000 million raised by the parent company through six issues (Nos. 16-21) of straight corporate bonds and one issuance of straight bonds by GC Co., Ltd. (No. 1). Over the past seven years, the Company has increased the ratio of funding directly from capital markets, excluding new share issues, from 0% to 26.8% for the year under review. Plans call for this ratio to be increased to 30%. This financial strategy is closely linked to the Nonbank Bond Issuing Law, which came into effect in May 1999. In the past, we were limited to financing our lending activities through bank borrowings or the issue of new equity. However, as a result of the enactment of this law, consumer finance companies satisfying certain conditions as to size of operations 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 ¥1,094,274 million, up 12.7% from the previous fiscal year-end. Of this total, 83.4% was fixed rate funding, 1.5 percentage points higher than for the previous fiscal year. This reflects the Company's finance policy aimed at stabilizing fund procurement. Under this policy, Promise is increasing the balance of funds procured at long-term, fixed interest rates as a means of hedging the risks associated with possible rises in interest rates. 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. The notional amount of Promise's contractual indebtedness covered by interest caps was ¥160,600 million at the balance sheet date.

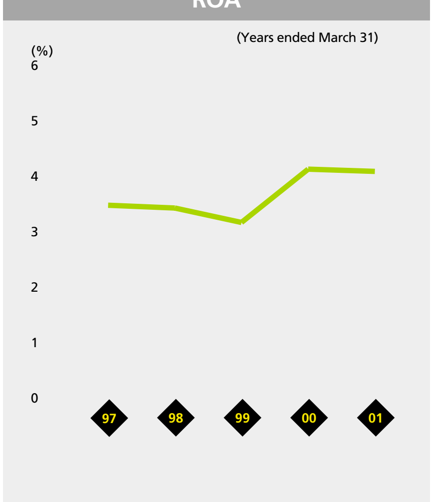
Cash Flows

Cash and cash equivalents at end of the year amounted to ¥103,968 million ($839,129 thousand), a net decrease of ¥27,361 million from the

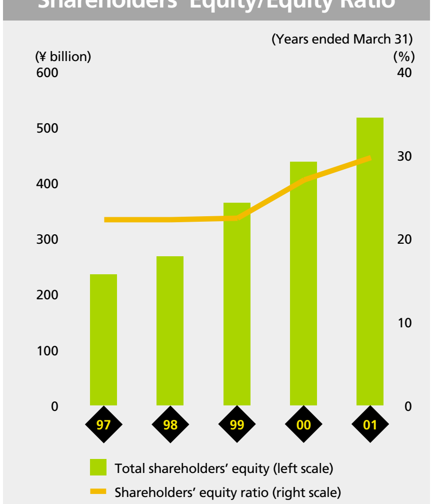
ROE



ROA



Shareholders' Equity/Equity Ratio



previous fiscal year-end. This was due to an increase in consumer loans receivable and a decline in fund procurement due to an appropriation of cash on hand, as explained in the section on the Company's financial position, reflecting the financial policy of restraining additional fund-raising except to secure liquidity and mobility while raising the efficiency of financing operations. Management believes this amount of liquidity is sufficient for the conduct of Promise's operations.

Net cash used in operating activities amounted to ¥31,562 million ($254,739 thousand), ¥35,068 million lower than the previous fiscal term. Of this, cash inflow of income before income taxes of ¥107,392 million ($866,767 thousand) and adjustments for non-cash items, such as depreciation and amortization, provision for uncollectible loans, loss on sales or disposal of property and equipment, other non-cash items, and deduction of income taxes paid, totaled ¥97,200 million, up ¥25,850 million compared with the previous fiscal year. This is attributable to the continued high level of income before income taxes. Among non-cash items, significant losses were recorded on sales or disposal of property and equipment, amounting to ¥18,242 million.

Regarding operating assets and liabilities, installment sales receivable and accrued interest from consumer finance receivables declined ¥9,218 million, to ¥128,762 million. Although the balance of consumer loans receivable rose ¥2,802 million, to ¥136,769 million, conventional installment sales receivable declined substantially, because certain receivables were securitized and, under new accounting standards, were treated as receivable sales and no longer included in installment sales receivable, resulting in a decline in this item.

Net cash used in investing activities declined ¥10,517 million, to ¥9,735 million. Net outflows for purchases of property and equipment, net, decreased ¥3,560 million, to ¥6,902 million.

An additional outflow of ¥3,798 million was made to increase ownership in subsidiaries to 100%.

Net inflows include ¥6,195 million in funds from two subsidiaries fully acquired through the aforementioned Simplified Share Exchange Method provided for under the Commercial Code of Japan. Net purchases and sales of investments in securities generated a net inflow of ¥2,033 million during the period, compared with a net outflow of ¥3,861 million the previous fiscal year.

Net cash provided by financing activities decreased ¥40,047 million, to ¥15,080 million ($121,710 thousand). This was due primarily to the repayment of short- and long-term borrowings amounting to ¥43,126 million. Also, proceeds from seven issuances of unsecured straight bonds, net of expenses, of ¥71,547 million fell short of the nine issuances of the previous fiscal year, which amounted to ¥124,257 million. Cash dividends paid totaled ¥10,421 million. An amount of ¥2,920 million was paid for the acquisition of treasury stock accompanying the adoption of the stock option plan.

Capital Expenditures

Capital expenditures during the fiscal year totaled ¥6,902 million. Principal expenditures included the establishment of new branches, installation of additional automated credit providers, and purchases of information processing equipment.

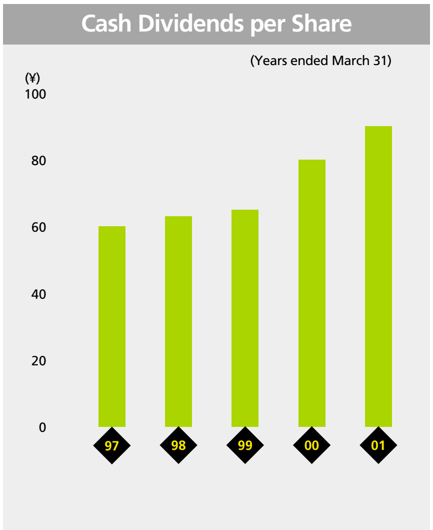
The number of branches at the end of the fiscal year under review was 1,755. This network comprised 637 staffed branches and 1,118 unstaffed branches. In addition, the number of automated credit providers and ATMs rose substantially, to 1,645 and 2,101, respectively, and the number of CDs, to 81. Newly consolidated subsidiaries' branches and automated dispensers have been included in this total. We estimate capital expenditures for the year ending March 31, 2002 will be a relatively low ¥2,929 million, reflecting the completion of the current round of such investments. We plan to focus this investment primarily on the installation of automated credit providers and the opening of new outlets.

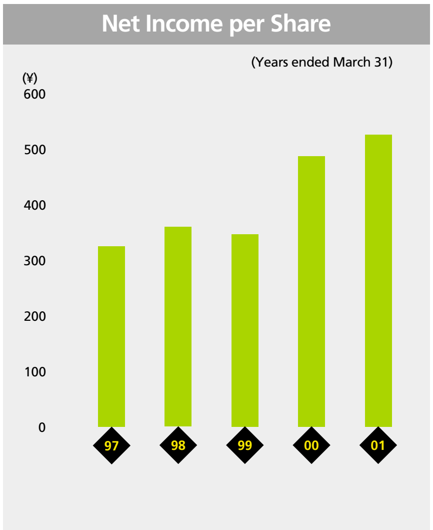
Dividend Policy

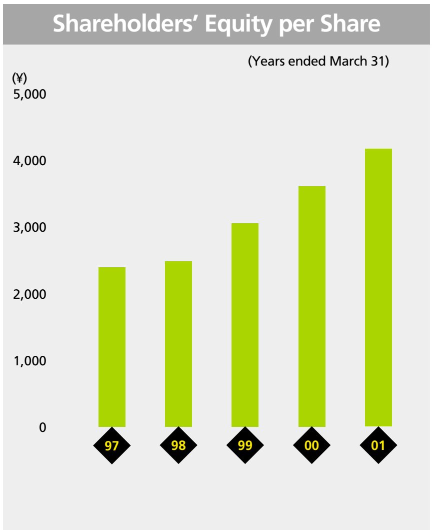
The Company's management has long recognized as one of its top priorities the allocation of a portion of net income to shareholders. Since our listing on the Tokyo Stock Exchange, our regular payment of dividends has been highly regarded by the Tokyo Stock Exchange, as demonstrated by the awards Promise has received from the Exchange.

In view of our performance during the year under review, we set cash dividends at ¥45 ($0.36) per share for the second half of the fiscal year. A cash dividend of ¥45 was also paid for the first half of the fiscal year. As a result, the annual dividend applicable to fiscal 2001 was ¥90 ($0.73) per share, or ¥10 per share higher than that of the previous fiscal year. This was the seventh 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 17.56%, ROE was 13.64%, and the ratio of dividends to shareholders' equity was 2.22%.







Board of Directors

(As of June 27, 2001)

Honorary Chairman
Ryoichi Jinnai

Chairman
Masaaki Uchino

Deputy Chairman
Hirozo Yamada

President
Hiroki Jinnai

Managing Directors

Shunji Kosugi

Shigeatsu Kojima

Isao Takeuchi

Akira Nagashima

Hideshige Tsukamoto

Kazuya Koshida

Yukio Yoshida

Hiroshi Obata

Teruaki Watanabe

Yasuhisa Ichikawa

Directors
Harumi Yanai
Tsutomu Kasori
Yasuhiko Hamaguchi
Hidetsugu Iriyama
Masayuki Sagawa
Tadanobu Sato
Nobuo Kato
Takeshi Hirai
Hirotada Otohiro
Shuichi Suzuki
Masayuki Fujihara

Standing Corporate Auditors
Hideo Tada
Yoshiki Kamiuchi
Osamu Ogiya
Kazuo Nagasawa

Financial Section

Contents

Six-Year Summary (Consolidated Basis)

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

	Millions of Yen					
	2001	2000	1999	1998	1997	1996
Results of Operations:						
Interest on consumer loans	**¥ 327,821**	¥ 271,743	¥ 244,570	¥ 224,079	¥ 201,026	¥180,505
Other operating income	**19,199**	15,202	11,513	9,961	9,149	8,108
Total operating income	**359,641**	300,724	271,054	253,086	225,009	201,736
Financial expenses	**26,714**	23,932	23,108	23,752	25,201	25,244
General and administrative expenses	**138,407**	118,073	106,914	95,204	85,570	77,539
Credit losses including provision for uncollectible loans	**55,990**	40,483	40,764	28,751	22,379	18,506
Total operating expenses	**232,223**	194,697	183,700	164,692	146,186	131,814
Operating profit	**127,418**	106,027	87,354	88,394	78,823	69,922
Income before income taxes	**107,392**	103,201	84,561	83,852	75,152	68,439
Net income	**64,845**	58,572	40,632	38,941	35,124	31,413
Financial Position:						
Consumer loans receivable: Principal	**¥1,418,656**	¥1,159,253	¥1,025,452	¥ 913,564	¥ 821,857	¥714,417
Allowance for credit losses	**61,349**	44,411	39,112	30,244	25,016	21,808
Total current assets	**1,565,165**	1,354,961	1,234,842	1,095,008	954,833	849,683
Total investments and advances	**54,644**	48,288	38,897	32,663	34,324	37,425
Property and equipment, net	**44,354**	59,907	61,042	60,131	59,004	52,873
Fixed leasehold deposits	**15,231**	13,166	13,509	13,247	11,712	11,238
Total assets	**1,679,394**	1,477,849	1,350,496	1,201,075	1,059,873	951,413
Short-term borrowings and current portion of long-term debt	**305,114**	287,781	316,953	294,515	252,041	241,953
Total current liabilities	**354,540**	339,370	365,035	341,826	300,834	283,748
Long-term debt	**789,160**	682,817	599,635	568,666	500,550	439,834
Total long-term liabilities	**807,350**	700,388	616,849	586,195	519,403	458,545
Total shareholders' equity	**517,504**	438,091	364,315	268,868	235,300	206,288
Other Financial Data and Indicators:						
Depreciation and amortization	**9,266**	9,547	8,523	7,779	6,183	4,881
Ratio of non-consolidated to consolidated operating income (Times)	**1.22**	1.13	1.13	1.14	1.13	1.12
Ratio of non-consolidated to consolidated net income (Times)	**1.02**	1.02	1.01	1.00	1.01	1.02
Return on equity (ROE) (%)	**13.57**	14.59	12.83	15.44	15.90	16.26
Return on assets (ROA) (%)	**4.10**	4.14	3.18	3.44	3.49	3.49
Amount per Share (Yen):						
Net income, basic	**¥ 525.02**	¥ 486.92	¥ 346.59	¥ 359.31	¥ 324.08	¥ 289.85
Cash dividends	**90.00**	80.00	65.00	63.00	60.00	55.00
Payout ratio (%)	**17.20**	16.91	19.35	16.92	17.04	17.61

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 and 1996 were ¥141 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 and 1996 were ¥97 million and ¥239 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."
5. Amounts for fiscal 2000 have been reclassified to conform with the presentation for fiscal 2001.

Six-Year Summary (Non-Consolidated Basis)

Promise Co., Ltd.
Years ended March 31

	Millions of Yen					
	2001	2000	1999	1998	1997	1996
Results of Operations:						
Interest on consumer loans	**¥ 282,664**	¥ 256,414	¥ 230,583	¥ 212,314	¥191,401	¥171,809
Other operating income	**10,110**	8,585	7,740	8,016	7,496	7,429
Total operating income	**292,774**	264,999	238,323	220,330	198,897	179,238
Financial expenses	**22,069**	21,298	20,882	22,064	23,673	23,869
General and administrative expenses	**110,700**	106,496	96,853	86,529	78,005	70,972
Provision for uncollectible loans	**43,827**	34,866	35,874	25,597	20,305	17,042
Total operating expenses	**176,596**	162,660	153,609	134,190	121,983	111,883
Operating profit	**116,178**	102,339	84,714	86,140	76,914	67,355
Income before income taxes	**101,853**	100,303	82,971	82,423	73,876	66,620
Net income	**63,521**	57,238	40,175	38,668	34,690	30,770
Financial Position:						
Consumer loans receivable: Principal	**¥1,228,026**	¥1,100,546	¥ 976,614	¥ 866,634	¥784,201	¥682,066
Allowance for credit losses	**46,500**	39,110	35,170	27,790	23,750	20,850
Total current assets	**1,381,819**	1,228,030	1,132,240	1,005,394	883,571	791,195
Total investments and advances	**77,582**	54,522	42,269	35,895	37,455	41,213
Property and equipment, net	**31,886**	58,220	59,496	58,323	57,877	51,888
Fixed leasehold deposits	**12,632**	12,344	12,491	12,273	10,767	10,420
Total assets	**1,503,919**	1,354,079	1,248,422	1,111,885	989,670	894,716
Short-term borrowings and current portion of long-term debt	**245,107**	231,414	267,924	258,198	226,975	223,909
Total current liabilities	**279,881**	269,247	305,872	295,195	260,411	255,617
Long-term debt	**707,247**	638,262	566,124	534,275	479,137	417,821
Total long-term liabilities	**722,706**	654,575	583,236	551,674	497,900	436,387
Total shareholders' equity	**501,332**	430,257	359,314	265,016	231,359	202,712
Other Financial Data:						
Credit losses written off	**36,437**	29,815	27,644	21,556	17,405	17,161
Return on equity (ROE) (%)	**13.63**	14.50	12.87	15.58	15.98	16.21
Return on assets (ROA) (%)	**4.44**	4.40	3.40	3.68	3.68	3.65
Amount per Share (Yen):						
Net income, basic	**¥ 513.24**	¥ 475.84	¥ 342.69	¥ 356.78	¥ 320.08	¥ 283.90
Shareholders' equity	**4,019.80**	3,538.37	3,003.91	2,439.95	2,348.15	2,057.40

1. Net income per share has been restated to conform with International Accounting Standards' Accounting Principles Board Opinion No. 15 (APB-15), "Earnings per Share."
2. Amounts for fiscal 2000 have been reclassified to conform with the presentation for fiscal 2001.

Consolidated Balance Sheets

Promise Co., Ltd. and Consolidated Subsidiaries
March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	**2001**
ASSETS			
Current assets:			
Cash and cash equivalents	**¥ 103,968**	¥ 131,329	**$ 839,129**
Time deposits (Note 11)	**9,572**	11,863	**77,254**
Receivables and consumer loans:			
Notes and accounts receivable (Notes 4 and 11)	**52,293**	58,289	**422,059**
Consumer loans receivable (Notes 5 and 11):			
Principal	**1,418,656**	1,159,253	**11,450,009**
Accrued interest income	**13,259**	10,769	**107,006**
Less: allowance for credit losses (Note 6)	**(61,138)**	(44,411)	**(493,444)**
	1,423,070	1,183,900	**11,485,630**
Prepaid expenses	**3,221**	2,915	**25,995**
Deferred tax assets (Notes 2 (11) and 19)	**16,789**	14,284	**135,507**
Other current assets	**8,545**	10,670	**68,969**
Total current assets	**1,565,165**	1,354,961	**12,632,484**
Investments and advances:			
Investments in securities (Notes 7 and 11)	**18,661**	15,141	**150,615**
Investments in and advances to unconsolidated subsidiaries and affiliates	**6,059**	5,336	**48,899**
Investments in equity other than capital stock	**3,419**	3,995	**27,591**
Long-term prepaid expenses	**1,614**	2,030	**13,024**
Excess investment cost over net assets of consolidated subsidiaries and affiliates	**6,158**	—	**49,703**
Deferred tax assets (Notes 2 (11) and 19)	**1,563**	3,192	**12,614**
Other investments and advances	**17,381**	18,594	**140,287**
Less: allowance for credit losses (Note 6)	**(211)**	—	**(1,702)**
Total investments and advances	**54,644**	48,288	**441,031**
Property and equipment, net (Notes 9 and 11)	**44,354**	59,907	**357,980**
Fixed leasehold deposits (Note 10)	**15,231**	13,166	**122,939**
Deferred charge	**—**	963	**—**
Adjustments on foreign currency statement translation	**—**	564	**—**
Total assets	**¥1,679,394**	¥1,477,849	**$13,554,434**

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	**2001**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings (Note 11)	**¥ 32,609**	¥ 29,846	**$ 263,191**
Current portion of long-term debt (Note 11)	**272,505**	257,935	**2,199,398**
Accounts payable:			
Trade	**1,145**	809	**9,245**
Other	**9,456**	8,848	**76,317**
	10,601	9,657	**85,562**
Accrued income taxes (Note 19)	**20,496**	24,327	**165,421**
Accrued expenses	**8,423**	6,901	**67,984**
Other current liabilities	**9,906**	10,704	**79,945**
Total current liabilities	**354,540**	339,370	**2,861,501**
Long-term liabilities:			
Long-term debt (Note 11)	**789,160**	682,817	**6,369,332**
Non-current accounts payable	**3,576**	5,056	**28,864**
Accrued severance indemnities (Notes 2 (12) and 12)	**12,951**	9,631	**104,526**
Excess investment cost over net assets of consolidated subsidiaries acquired	**—**	1,092	**—**
Other long-term liabilities	**1,663**	1,792	**13,423**
Total long-term liabilities	**807,350**	700,388	**6,516,145**
Contingent liabilities (Note 14)			
Shareholders' equity (Note 15):			
Common stock, ¥50 par value:			
Authorized—300,000,000 shares			
Issued—124,715,592 shares at March 31, 2001;	**49,054**	—	**395,914**
121,597,202 shares at March 31, 2000	**—**	48,898	**—**
Additional paid-in capital	**82,484**	58,692	**665,730**
Retained earnings	**384,668**	330,502	**3,104,661**
Net unrealized gains on securities	**4,518**	—	**36,466**
Adjustments on foreign currency statement translation	**(299)**	—	**(2,411)**
Less: treasury stock	**(2,921)**	(1)	**(23,572)**
Total shareholders' equity	**517,504**	438,091	**4,176,788**
Total liabilities and shareholders' equity	**¥1,679,394**	¥1,477,849	**$13,554,434**

Consolidated Statements of Income

Promise Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	**2001**
Operating income:			
Interest on consumer loans	**¥327,821**	¥271,743	**$2,645,850**
Sales	**12,621**	13,779	**101,861**
Other operating income (Note 16)	**19,199**	15,202	**154,964**
Total operating income	**359,641**	300,724	**2,902,675**
Operating expenses:			
Financial expenses (Note 17)	**26,714**	23,932	**215,607**
Cost of sales	**11,112**	12,209	**89,687**
General and administrative expenses (Note 18)	**138,407**	118,073	**1,117,088**
Credit losses including provision for uncollectible loans (Note 6)	**55,990**	40,483	**451,899**
Total operating expenses	**232,223**	194,697	**1,874,281**
Operating profit	**127,418**	106,027	**1,028,394**
Other income (expenses):			
Interest and dividend income on investments	**335**	368	**2,703**
Amortization of deferred charge	**(963)**	(963)	**(7,773)**
Interest expense	**(498)**	(554)	**(4,020)**
Equity in earnings of Tokumei Kumiai	**1,862**	993	**15,026**
Net gain on sales of investments in securities	**1,956**	534	**15,788**
Net loss on sales or disposal of property and equipment	**(18,242)**	(2,175)	**(147,232)**
Gain on liquidation of Tokumei Kumiai	**—**	2,094	**—**
Past service cost of retirement benefits (Notes 2 (12) and 12)	**(709)**	(2,163)	**(5,721)**
Equity in net losses of affiliated companies	**(3,154)**	—	**(25,457)**
Gain on liquidation of unconsolidated subsidiaries	**639**	—	**5,158**
Impairment loss on deposits for golf club membership	**(1,110)**	—	**(8,966)**
Other, net	**(142)**	(960)	**(1,133)**
Total other expenses, net	**(20,026)**	(2,826)	**(161,627)**
Income before income taxes	**107,392**	103,201	**866,767**
Income taxes (Notes 2 (11) and 19):			
Current	**42,888**	46,965	**346,147**
Deferred	**(341)**	(2,739)	**(2,748)**
Minority interest	**—**	403	**—**
Net income	**¥ 64,845**	¥ 58,572	**$ 523,368**

	Yen		U.S. Dollars (Note 3)
Amount per share:			
Net income:			
Basic	**¥525.02**	¥486.92	**$4.21**
Cash dividends	**90.00**	80.00	**0.73**
Weighted average number of shares (Thousands):			
Basic	**123,510**	120,289	

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, 2001 and 2000

		Millions of Yen					
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gain on securities	Adjustments on foreign currency statement translation	Treasury stock
Balance at March 31, 1999	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 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)
Balance at March 31, 2000	121,597,202	¥48,898	¥58,692	¥330,502	¥ —	¥ —	¥ (1)
Net income	**—**	**—**	**—**	**64,845**	**—**	**—**	**—**
Cash dividends paid	**—**	**—**	**—**	**(10,421)**	**—**	**—**	**—**
Bonuses to directors and statutory auditors	**—**	**—**	**—**	**(258)**	**—**	**—**	**—**
Issuance of new shares through stock exchange	**3,118,390**	**156**	**13,544**	**—**	**—**	**—**	**—**
Increase due to valuation of securities, net of tax	**—**	**—**	**—**	**—**	**4,518**	**—**	**—**
Stock exchange adjustments	**—**	**—**	**10,248**	**—**	**—**	**—**	**—**
Adjustments on foreign currency statement translation	**—**	**—**	**—**	**—**	**—**	**(299)**	**—**
Increase in treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(2,920)**
Balance at March 31, 2001	**124,715,592**	**¥49,054**	**¥82,484**	**¥384,668**	**¥4,518**	**¥(299)**	**¥(2,921)**

		Thousands of U.S. Dollars (Note 3)					
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gain on securities	Adjustments on foreign currency statement translation	Treasury stock
Balance at March 31, 2000	121,597,202	$394,656	$473,704	$2,667,491	$ —	$ —	$ (9)
Net income	**—**	**—**	**—**	**523,368**	**—**	**—**	**—**
Cash dividends paid	**—**	**—**	**—**	**(84,114)**	**—**	**—**	**—**
Bonuses to directors and statutory auditors	**—**	**—**	**—**	**(2,084)**	**—**	**—**	**—**
Issuance of new shares through stock exchange	**3,118,390**	**1,258**	**109,315**	**—**	**—**	**—**	**—**
Increase due to valuation of securities, net of tax	**—**	**—**	**—**	**—**	**36,466**	**—**	**—**
Stock exchange adjustments	**—**	**—**	**82,711**	**—**	**—**	**—**	**—**
Adjustments on foreign currency statement translation	**—**	**—**	**—**	**—**	**—**	**(2,411)**	**—**
Increase in treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(23,563)**
Balance at March 31, 2001	**124,715,592**	**$395,914**	**$665,730**	**$3,104,661**	**$36,466**	**$(2,411)**	**$(23,572)**

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, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2001	2000	2001
Operating activities:			
Income before income taxes	**¥107,392**	¥103,201	**$ 866,767**
Adjustments for:			
Depreciation and amortization	**9,266**	9,547	**74,787**
Provision for credit losses on receivable and consumer loans	**7,200**	4,558	**58,113**
Provision for accrued severance indemnities	**2,959**	2,213	**23,883**
Equity in earnings of Tokumei Kumiai	**(1,862)**	(734)	**(15,026)**
Gain on liquidation of Tokumei Kumiai	**—**	(1,056)	**—**
Net gain on sales of investments in securities	**(1,956)**	(534)	**(15,788)**
Net loss on sales or disposal of property and equipment	**18,242**	2,175	**147,232**
Equity in net losses of affiliated companies	**3,154**	—	**25,457**
Gain on liquidation of unconsolidated subsidiaries	**(639)**	—	**(5,158)**
Impairment loss on deposits for golf club membership	**1,110**	—	**8,966**
Increase in consumer loans receivable: Principal	**(136,769)**	(133,967)	**(1,103,868)**
Decrease (increase) in notes and accounts receivable	**4,699**	(13,597)	**37,929**
Increase in accounts payable	**249**	3,191	**2,012**
Income taxes paid	**(47,666)**	(48,020)	**(384,712)**
Other, net	**3,059**	6,393	**24,667**
Net cash used in operating activities	**(31,562)**	(66,630)	**(254,739)**
Investing activities:			
Purchases of property and equipment	**(6,902)**	(10,462)	**(55,710)**
Proceeds from sales of property and equipment	**307**	65	**2,474**
Payment for purchase of investments in securities.	**(6,349)**	(6,289)	**(51,245)**
Proceeds from sales of investments in securities	**8,382**	2,428	**67,649**
Acquisition of shares of subsidiaries with the change of scope of consolidation	**(3,798)**	—	**(30,650)**
Proceeds from issuance of new shares through stock exchange, net of cash acquired	**6,195**	—	**49,998**
Increase in loans	**(6,314)**	(8,969)	**(50,961)**
Decrease (increase) in other investments	**(1,256)**	2,975	**(10,124)**
Net cash used in investing activities	**(9,735)**	(20,252)	**(78,569)**
Financing activities:			
Proceeds from long-term debt	**323,708**	222,924	**2,612,652**
Repayments of long-term debt	**(360,086)**	(266,275)	**(2,906,261)**
Proceeds from issuance of common bonds, net of expenses	**71,547**	124,257	**577,461**
Redemption of uncollateralized convertible yen bonds	**—**	(27)	**—**
Decrease in short-term borrowings	**(6,748)**	(16,995)	**(54,464)**
Increase in treasury stock	**(2,920)**	(1)	**(23,564)**
Cash dividends paid	**(10,421)**	(8,756)	**(84,114)**
Net cash provided by financing activities	**15,080**	55,127	**121,710**
Effect of exchange rate changes on cash and cash equivalents	**54**	(74)	**438**
Net decrease in cash and cash equivalents	**(26,163)**	(31,829)	**(211,160)**
Cash and cash equivalents at beginning of the year	**131,329**	161,961	**1,059,963**
Effect of the increase in scope of consolidated subsidiaries	**—**	1,197	**—**
Effect of the decrease in scope of consolidated subsidiaries	**(1,198)**	—	**(9,674)**
Cash and cash equivalents at end of the year	**¥103,968**	¥131,329	**$ 839,129**
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	**¥ 24,608**	¥ 22,673	**$ 198,612**
Major non-cash financing activities:			
Conversion of convertible yen bonds	**—**	8,903	**—**
Increase in common stock through stock exchange	**156**	—	**1,258**
Increase in additional paid-in capital through stock exchange	**23,792**	—	**192,026**

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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Scope and Significant Accounting Policies

The Company had 14 subsidiaries and 3 affiliates as of March 31, 2001 and 13 subsidiaries and 4 affiliates as of March 31, 2000. The accompanying consolidated financial statements include the accounts of the Company and 9 (7 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
Shinkou Co., Ltd.*1	Japan	March 31
Rich Co., Ltd.*1	Japan	March 31
Towa Co., Ltd.*2	Japan	March 31
Net Future Co., Ltd.	Japan	March 31
PAL Corporation Ltd.*3	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

Notes: *1. Included in consolidation effective from the year ended March 31, 2001
*2. Accounted for under the equity method effective from this financial period and consolidated on the balance sheet at March 31, 2001 because the Company additionally acquired Towa Co., Ltd.'s shares in January 2001 after its initial acquisition of a 25.69% share in April 2000.
*3. PAL Research Center Co., Ltd., which was liquidated for the year ended March 31, 2001, had been consolidated until March 31, 2000.

The remaining 5 unconsolidated subsidiaries at March 31, 2001 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, 2001 and 2000 are amortized over 10 years.

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

(2) Application of the Equity Method

Investments in which the Company has significant influence or ownership of more than 20% but less than or equal to 50% are accounted for under the equity method. An affiliate accounted for under the equity method is listed below:

Name	Country of incorporation	Equity ownership percentage at March 31, 2001	Fiscal year-end
MOBIT Co., Ltd.*	Japan	40.00%	March 31

*Accounted for under the equity method effective from the year ended March 31, 2001

Under the equity method, investments are stated at cost plus/minus the Company's equity in undistributed earnings (losses).

Any material difference between the cost of investment in an affiliated company and the equity in its net assets at the date of acquisition is amortized over 10 years.

Investments in 5 unconsolidated subsidiaries and the remaining 2 affiliates as of March 31, 2001 and 6 unconsolidated subsidiaries and 4 affiliates as of March 31, 2000 are carried at cost and are not adjusted for equity in earnings (losses) of such subsidiaries and affiliates for each period because the effect of applying the equity method is not material.

(3) 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.

Effective April 1, 2000, the Company and its domestic subsidiaries have adopted the Financial Accounting Standards on "Accounting for Foreign Currency Transactions" issued by the Business Accounting Deliberation Council and changed to record "Adjustments on foreign currency statement translation" in shareholders' equity as of March 31, 2001.

Revenues and expenses are translated at the average rate for the respective periods.

(4) 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.

(5) 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.

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.

(6) Valuation of Securities

As of March 31, 2001, all equity securities and debt securities are classified as "Other securities" which represents securities other than trading or held-to-maturity securities.

Marketable "Other securities" are stated at market value. Adjustments to market value are recorded as an increase or decrease in shareholders' equity, net of tax. Under the Commercial Code, unrealized holdings gains on securities, net of tax are not available for distribution as dividends and bonuses to directors and statutory auditors. Costs of their sales are determined by the moving average method. "Other securities" which are not marketable are stated at cost, cost being determined by the moving average method.

As of March 31, 2000, securities listed on stock exchanges were valued at the lower of cost or market, cost being determined by the moving average method. Unlisted securities were valued at cost, which were determined by the moving average method.

However, if the market value of the securities substantially declined and the decline was deemed to be of permanent nature, an appropriate write-down was required.

Effective April 1, 2000, the Company and its domestic subsidiaries have adopted the Financial Accounting Standard on "Accounting for Financial Instruments" issued by the Business Accounting Deliberation Council. Following the new standard, the Companies' management determines the appropriate classification of securities and records trading securities in current assets and securities other than those as investments in securities. Prior-year amounts of securities have been reclassified to conform with the current year's presentation on the accompanying consolidated balance sheets.

The new standard requires that, except for debt securities classified as held-to-maturity securities, which are stated at amortized cost, marketable securities be stated at market value and adjustments to market value of marketable securities classified as trading and "Other securities" be recorded as other income (expenses), net and an increase or decrease in shareholders' equity, respectively.

An impairment loss on deposits for golf club membership is also required to be recognized in accordance with the new standard.

The effect of the new standard adoption for the year ended March 31, 2001 was to decrease income before income taxes by ¥108 million ($871 thousand).

(7) 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. 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.

(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

As of March 31, 2000, foreign currencies and short-term receivables and payables denominated in foreign currencies were translated into Japanese yen at the relevant exchange rates prevailing at the respective balance sheet dates, and long-term receivables and payables denominated in foreign currencies were translated at the historical rate prevailing at the transaction dates.

Effective April 1, 2000, the Company and its domestic subsidiaries have adopted the Financial Accounting Standard on "Accounting for Foreign Currency Transactions" and changed to translate long-term receivables and payables denominated in foreign currencies into Japanese yen at the relevant exchange rates prevailing at the respective balance sheet date as of March 31, 2001. The effect of this change for the year ended March 31, 2001 was immaterial.

The resulting transaction gains or losses are included in "Other operating income" ("Financial expenses") for the year.

(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) Income Taxes

Effective April 1, 1999, the Company and its domestic subsidiaries introduced deferred tax accounting. According to this new accounting, deferred tax assets and liabilities are recognized for the future tax effects derived from temporary differences and tax loss carry-forwards 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.

(12) Accrued Severance Indemnities

Accrued severance indemnities for employees are provided based on the amount of projected benefit obligation, reduced by pension plan assets at fair value, at the end of the year.

Until the year ended March 31, 1999, the Company and GC Co., Ltd. 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, and recognized pension contributions as expenses when accrued.

From the year ended March 31, 2000, the Company and GC Co., Ltd.'s accounting treatments of accrued severance indemnities and pension contribution were unified, and the amount of accrued severance indemnities were provided based on the amount of projected benefit obligation, reduced by pension plan assets at fair value, which was substantially the same accounting treatment as the method described under the Financial Accounting Standard on "Accounting for Retirement Benefits," effective for the fiscal year beginning after March 31, 2000.

This accounting change was made to provide a more appropriate allocation of cost of retirement benefits and further strengthen the financial position. Costs attributable to the year ended March 31, 2000 and the preceding fiscal period were recognized as general and administrative expenses and other expenses, which amounted to ¥2,013 million and ¥2,163 million, respectively. The effect of this change was to increase operating profit by ¥392 million and decrease income before income taxes by ¥1,767 million.

The other domestic subsidiaries have adopted the new accounting standard, effective April 1, 2000. The effect of the adoption for the year ended March 31, 2001 was immaterial.

Unrecognized past service cost and net actuarial loss arising in the year ended March 31, 2001 was charged to income for the current year.

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

(13) Deferred Charge

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

(14) Bond Issue Expenses

Bond issue expenses are charged to income as incurred.

(15) Appropriation of Retained Earnings

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

(16) Net Income and Dividends 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 are made 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 non-interest-bearing convertible bonds.

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

(17) 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.

(18) Derivatives

Following the Financial Accounting Standard on "Accounting for Financial Instruments," derivative financial instruments are recognized in the financial statements and measured at fair value, effective April 1, 2000. Gains and losses on designated hedged instruments are deferred on the balance sheet to the period when gains and losses on the positions hedged have been recognized to match gains and losses on the hedging instrument. Certain derivative instruments satisfying the condition prescribed under the new standard are not evaluated at fair value.

(19) Reclassifications

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

3. UNITED STATES DOLLAR AMOUNTS

The Company prepares its consolidated financial statements in Japanese yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetical results of translating yen into dollars at the rate of ¥123.90 to US$1, being the effective rate of exchange at March 31, 2001. 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 ¥123.90 to US$1 or at any other rate.

4. NOTES AND ACCOUNTS RECEIVABLE

The financing from consumer loans receivable liquidated on or before March 31, 2000 was recognized as long-term liabilities secured. Those liquidated on and after April 1, 2000 have been accounted for as sales transactions in accordance with the Financial Accounting Standard on "Accounting for Financial Instruments," effective April 1, 2000. The effect of this change was to decrease "Notes and accounts receivable" as of March 31, 2001 and net income for the year then ended by ¥10,125 million ($81,719 thousand) and nil, respectively.

5. CONSUMER LOANS RECEIVABLE

(1) Unsecured loans to individual customers, which were included in "Consumer loans receivable," were ¥1,406,327 million ($11,350,507 thousand) and ¥1,147,311 million as of March 31, 2001 and 2000, 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
	2001	2000	**2001**
Credits of bankrupt borrowers	**¥ 109**	¥ 129	**$ 880**
Delinquent loans	**171**	118	**1,382**
Delinquent loans past three months or more	**7,924**	5,517	**63,954**
Restructured loans	**30,788**	19,623	**248,487**
	¥38,992	¥25,387	**$314,703**

Credits of bankrupt borrowers are loans under declaration of bankruptcy, reconstruction and similar proceedings and whose accruing interest is not recorded as income because 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 loan agreements and do not include credits of bankrupt borrowers and delinquent loans, as described above.

Restructured loans are loans to 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.

Restructured loans which are thirty days or less overdue were ¥27,406 million ($221,194 thousand) as of March 31, 2001.

6. ALLOWANCE FOR CREDIT LOSSES

Transactions affecting the "allowance for credit losses" account for the years ended March 31, 2001 and 2000 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Balance at beginning	**¥44,411**	¥39,971	**$358,439**
Adjustments for newly consolidated subsidiaries	**9,623**	—	**77,671**
Credit losses written off against the allowance	**(48,553)**	(35,590)	**(391,875)**
Provision for uncollectible loans	**55,868**	40,030	**450,911**
Balance at end	**¥61,349**	¥44,411	**$495,146**

7. INVESTMENTS IN SECURITIES

Investments in securities held by the Companies as of March 31, 2001 and 2000 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Investments in securities:			
Equity securities	**¥18,042**	¥12,832	**$145,619**
Bonds and debentures	**421**	2,000	**3,398**
Other	**198**	309	**1,598**
	¥18,661	¥15,141	**$150,615**

Book value and acquisition cost information on marketable "Other securities" as of March 31, 2001 are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Acquisition cost	Book value per balance sheet	Difference	Acquisition cost	Book value per balance sheet	Difference
Securities whose book values on the accompanying consolidated balance sheet exceed their acquisition costs:						
Equity securities	¥6,402	¥14,898	¥8,496	$51,671	$120,240	$68,569
Bonds and debentures	400	421	21	3,232	3,398	166
	¥6,802	¥15,319	¥8,517	$54,903	$123,638	$68,735
Securities whose book values on the accompanying consolidated balance sheet do not exceed their acquisition costs:						
Equity securities	¥2,522	¥ 1,564	¥ (958)	$20,354	$ 12,627	$(7,727)
Other	260	198	(62)	2,095	1,598	(497)
	2,782	1,762	(1,020)	22,449	14,225	(8,224)
	¥9,584	¥17,081	¥7,497	$77,352	$137,863	$60,511

"Other securities" sold during the year ended March 31, 2001 were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
	¥1,620	¥51	¥788	$13,074	$413	$6,364

Book values of "Other securities" which were not marketable as of March 31, 2001 are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Investments in securities:		
Equity securities	¥1,580	$12,752

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

The aggregate annual maturities of debt securities included in "Other securities" outstanding as of March 31, 2001 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2002	¥ —	$ —
2003–2006	199	1,602
2007–2011	222	1,796
2011 and thereafter	—	—
	¥421	$3,398

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

	Millions of Yen		
	Book value per balance sheet	Market value	Unrealized gain
Investments in securities:			
Equity securities	¥10,760	¥23,107	¥12,347
Other	309	328	19
	¥11,069	¥23,435	¥12,366

Book values of securities, which were excluded from the above disclosure of book value and market value information on investments in securities held by the Companies as of March 31, 2000, were as follows:

	Millions of Yen
Investments in securities:	
Equity securities	¥2,072
Government and corporate bonds	2,000

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

8. DERIVATIVES AND HEDGE ACTIVITIES

The Company and PROMISE (HONG KONG) CO., LTD. enter into interest rate swap agreements to convert variable interest rates on the principal amount of certain debts to fixed interest rates. In addition, the Company enters into interest rate cap agreements. These agreements are used to reduce the exposure to market risk from fluctuation in interest rates. The Companies do not hold or issue any financial instruments for trading purposes.

The hedging instruments are measured for effectiveness by correlation with respect to the difference between interest rate indicators upon the instruments and positions hedged. The market risk associated with these instruments is managed under the Company's internal manual approved by the Board of Directors. The derivatives and hedging activities of the subsidiaries are subject to the Company's approval.

The fair values of the off-balance-sheet financial instruments, excluding those deferred on the balance sheet in accordance with the new accounting standard, as of March 31, 2001 were as follows:

	Millions of Yen			
	Notional amount			
	Total	Due after one year	Fair value	Unrealized loss
Year ended March 31, 2001:				
Interest rate swap:				
Changing floating rates into fixed rate	**¥22,807**	**¥20,000**	**¥(407)**	**¥(407)**
Interest rate cap:				
Purchased	**10,000**	**8,000**	**5**	**(64)**
	¥32,807	**¥28,000**	**¥(402)**	**¥(471)**
Year ended March 31, 2000:				
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)

	Thousands of U.S. Dollars			
	Notional amount			
	Total	Due after one year	Fair value	Unrealized loss
Year ended March 31, 2001:				
Interest rate swap:				
Changing floating rates into fixed rate	**$184,072**	**$161,421**	**$(3,284)**	**$(3,284)**
Interest rate cap:				
Purchased	**80,710**	**64,568**	**44**	**(515)**
	$264,782	**$225,989**	**$(3,240)**	**$(3,799)**

9. PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2001 and 2000 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Buildings	**¥25,081**	¥25,749	**$202,432**
Structures	**5,113**	4,309	**41,268**
Furniture, fixtures and equipment	**39,036**	34,873	**315,057**
Other	**190**	463	**1,530**
	69,420	65,394	**560,287**
Less: accumulated depreciation	**(37,795)**	(33,630)	**(305,042)**
	31,625	31,764	**255,245**
Land	**12,729**	28,143	**102,735**
	¥44,354	¥59,907	**$357,980**

10. FIXED LEASEHOLD DEPOSITS

Fixed leasehold deposits as of March 31, 2001 and 2000 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.

11. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Information on the amount of short-term borrowings outstanding as of March 31, 2001 and 2000 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Short-term bank loans*:			
Secured	**¥ 2,124**	¥ 6,264	**$ 17,140**
Entered into the forward contract of assigning consumer loans receivable	**4,042**	6,628	**32,623**
Unsecured	**17,924**	9,324	**144,671**
	24,090	22,216	**194,434**
Commercial paper and other:			
Secured	**4,748**	6,630	**38,318**
Unsecured	**3,771**	1,000	**30,439**
	8,519	7,630	**68,757**
	¥32,609	¥29,846	**$263,191**
Notes*: Maximum month-end balance outstanding during the period	**¥29,417**	¥42,091	**$237,426**
Average month-end balance outstanding during the period	**26,486**	33,678	**213,768**
Weighted average interest rate for the period	**4.130%**	3.301%	**4.130%**

Short-term bank loans outstanding as of March 31, 2001 and 2000 were represented mainly by overdrafts with banks bearing interest at annual rates ranging from 0.630% to 7.942% and from 1.370% to 8.556%, respectively.

The principal ranges of annual interest rates applicable to commercial paper and other at March 31, 2001 and 2000 were from 2.160% to 5.520% and from 0.900% to 5.100%, respectively.

Long-term debt outstanding as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Loans, principally from banks and other financial institutions with interest rates indicated below*:			
Secured	**¥261,602**	¥261,228	**$2,111,399**
Entered into the forward contract of assigning consumer loans receivable	**351,351**	324,672	**2,835,763**
Unsecured	**191,712**	169,852	**1,547,315**
	804,665	755,752	**6,494,477**
Bonds issued by Promise Co., Ltd.			
2.100% per annum uncollateralized yen bonds, due 2002	**10,000**	10,000	**80,710**
2.600% per annum uncollateralized yen bonds, due 2002	**10,000**	10,000	**80,710**
2.000% per annum uncollateralized yen bonds, due 2002	**10,000**	10,000	**80,710**
2.100% per annum uncollateralized yen bonds, due 2001	**10,000**	10,000	**80,710**
2.100% per annum uncollateralized yen bonds, due 2001	**10,000**	10,000	**80,710**
2.050% per annum uncollateralized yen bonds, due 2002	**10,000**	10,000	**80,710**
2.030% per annum uncollateralized yen bonds, due 2004	**20,000**	20,000	**161,421**
1.790% per annum uncollateralized yen bonds, due 2004	**10,000**	10,000	**80,710**
1.400% per annum uncollateralized yen bonds, due 2003	**10,000**	10,000	**80,710**
2.270% per annum uncollateralized yen bonds, due 2005	**10,000**	10,000	**80,710**
2.510% per annum uncollateralized yen bonds, due 2006	**20,000**	20,000	**161,421**
1.900% per annum uncollateralized yen bonds, due 2003	**20,000**	20,000	**161,421**
2.950% per annum uncollateralized yen bonds, due 2009	**10,000**	10,000	**80,710**
2.560% per annum uncollateralized yen bonds, due 2010	**15,000**	15,000	**121,066**
Floating rate (six-month Japanese yen—LIBOR+0.5%) uncollateralized yen bonds, due 2005	**10,000**	10,000	**80,710**
2.270% per annum uncollateralized yen bonds, due 2008	**10,000**	—	**80,710**
2.900% per annum uncollateralized yen bonds, due 2012	**10,000**	—	**80,710**
2.040% per annum uncollateralized yen bonds, due 2007	**20,000**	—	**161,421**
2.080% per annum uncollateralized yen bonds, due 2005	**10,000**	—	**80,710**
Floating rate (six-month Japanese yen—LIBOR+0.75%) uncollateralized yen bonds, due 2005	**10,000**	—	**80,710**
1.750% per annum uncollateralized yen bonds, due 2005	**10,000**	—	**80,710**
Bonds issued by GC Co., Ltd.			
1.600% per annum uncollateralized yen bonds, due 2003	**2,000**	—	**16,143**
Less: portion due within one year	**(272,505)**	(257,935)	**(2,199,398)**
	¥789,160	¥682,817	**$6,369,332**
Weighted average interest rate for the period	**2.305%**	2.534%	**2.305%**

Note*: Annual interest rates on loans from banks and other financial institutions outstanding as of March 31, 2001 and 2000 ranged from 1.150% to 8.500% and from 1.070% to 9.500%, respectively.

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, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Time deposits	**¥ 712**	¥ —	**$ 5,749**
Notes and accounts receivable*	**23,742**	33,930	**191,625**
Consumer loans receivable*	**277,841**	254,479	**2,242,463**
Investments in securities	**431**	—	**3,481**
Property and equipment	**9,065**	—	**73,165**
Other	**205**	50	**1,646**
	¥311,996	¥288,459	**$2,518,129**

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 ¥370,542 million ($2,990,655 thousand) and ¥345,645 million as of March 31, 2001 and 2000, respectively.

The aggregate annual maturities of long-term debt outstanding, excluding the above bonds, as of March 31, 2001 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2002	¥242,505	$1,957,267
2003	198,582	1,602,762
2004	217,873	1,758,458
2005	101,137	816,280
2006 and thereafter	44,568	359,710
	¥804,665	$6,494,477

12. SEVERANCE AND PENSION PLANS

Under the terms of the severance plans of the Company and its consolidated subsidiaries, employees of the Companies with more than two years of service are generally entitled to lump-sum payments at the time of retirement.

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

The Company and its domestic subsidiaries have non-contributory pension plans, which are defined benefit plans, covering a portion of their severance plans.

In addition, the Company has contributory funded benefit pension plans which are pursuant to the Japanese Welfare Pension Insurance Law and defined benefit plans. This plan covers a portion of the governmental welfare pension program, under which both employers and employees contribute.

The overseas subsidiaries sponsor defined contribution plans.

The following is a reconciliation of benefit obligation to net liability recognized in the accompanying consolidated balance sheet as of March 31, 2001.

	Millions of Yen	Thousands of U.S. Dollars
Benefit obligation	¥(27,288)	$(220,240)
Fair value of plan assets	15,325	123,685
Funded status	(11,963)	(96,555)
Net liability recognized in balance sheet	(11,963)	(96,555)
Prepaid pension expense	7	57
Accrued severance indemnities for employees	¥(11,970)	$ (96,612)

Components of net periodic benefit cost for the year ended March 31, 2001 are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥2,067	$16,681
Interest cost	717	5,790
Expected return on plan assets	(331)	(2,672)
Amortization of past service cost	709	5,721
Amortization of net actuarial loss	1,586	12,800
Net periodic benefit cost	¥4,748	$38,321

Service cost does not include employers' contributions to the contributory funded benefit pension plan.

The benefit obligation was determined using a discount rate of 3.0% for the year ended March 31, 2001. The expected long-term rate of return on the non-contributory pension plan assets and contributory funded benefit pension plan assets for the year ended March 31, 2001 ranged from 2.4% to 4.0% and 2.1%, respectively.

Net periodic service cost is attributed based on years of service.

Certain subsidiaries' benefit obligations were calculated using the simplified method, which is permitted to be applied by small companies, in conformity with the Financial Accounting Standard on "Accounting for Retirement Benefits."

The fair value of non-contributory pension plan assets of the Company aggregated ¥7,002 million as of March 31, 2000, which was the date of the most recent actuarial valuation.

The fair value of non-contributory pension plan assets of GC Co., Ltd. aggregated ¥149 million as of March 31, 2000, which was the date of the most recent actuarial valuation.

13. 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, as of March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Rental expense	**¥2,254**	¥2,570	**$18,190**
Depreciation expense	**1,925**	2,302	**15,533**
Interest expense	**264**	252	**2,133**

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, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Due within one year	**¥1,617**	¥1,029	**$13,050**
Due after one year	**1,894**	1,943	**15,290**
	¥3,511	¥2,972	**$28,340**

A summary of the leased properties under the above leases as of March 31, 2001 and 2000 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Furniture, fixtures and equipment	**¥6,279**	¥6,626	**$50,676**
Other	**1,587**	605	**12,808**
	7,866	7,231	**63,484**
Less: accumulated depreciation	**(4,520)**	(4,382)	**(36,483)**
	¥3,346	¥2,849	**$27,001**

(2) The aggregate future lease payments under ordinary operating leases as of March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Due within one year	**¥110**	¥44	**$ 892**
Due after one year	**136**	—	**1,097**
	¥246	¥44	**$1,989**

14. CONTINGENT LIABILITIES

As of March 31, 2001, the balance of guaranty of liabilities was nil.

15. 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.

For the year ended March 31, 2000, shares issued and outstanding increased by 1,982 thousand shares, and stated capital and additional paid-in capital increased by ¥4,452 million respectively, through the conversion of convertible yen bonds into common stock of the Company.

For the year ended March 31, 2001, the Company issued 3,118 thousand shares through stock exchange, and stated capital and additional paid-in capital increased by ¥156 million ($1,258 thousand) and ¥23,792 million ($192,026 thousand), respectively.

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 shareholders but is not available for dividend payments.

16. OTHER OPERATING INCOME

As described in Note 2 (5), 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.

Collected amounts for the years ended March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Collected amounts	**¥8,518**	¥6,958	**$68,747**

17. FINANCIAL EXPENSES

Interest expense, which was included in "Financial expenses" in the accompanying consolidated statements of income, for the years ended March 31, 2001 and 2000 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Interest expense	**¥25,569**	¥23,165	**$206,364**

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses in the accompanying consolidated statements of income for the years ended March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Advertising expenses	**¥ 25,998**	¥ 17,914	**$ 209,834**
Employees' salaries and bonuses	**30,045**	26,183	**242,495**
Rent expenses	**13,264**	12,358	**107,056**
Other	**69,100**	61,618	**557,703**
	¥138,407	¥118,073	**$1,117,088**

19. 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% for each of the years ended March 31, 2001 and 2000. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they operate.

Reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2001 was as follows:

Statutory tax rate	42.0%
Loss on valuation of investments in subsidiaries deducted for income tax purposes	(3.9)
Revenue not deductible for income tax purposes–dividends and others	(0.3)
Impairment loss on deposits for golf club membership	0.4
Others	1.4
Effective tax rate	39.6%

The major components of deferred tax assets and liabilities as of March 31, 2001 and 2000 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Deferred tax assets due to:			
Credit losses for receivables and consumer loans	**¥ 7,818**	¥ 6,271	**$ 63,100**
Allowance for credit losses	**4,964**	4,238	**40,065**
Accrued enterprise taxes	**1,827**	2,062	**14,750**
Accrued severance indemnities for employees	**3,904**	2,616	**31,510**
Other	**3,543**	2,289	**28,591**
Total	**22,056**	17,476	**178,016**
Deferred tax liabilities due to:			
Net unrealized gains on securities	**(3,704)**	—	**(29,895)**
Net deferred tax assets	**¥18,352**	¥17,476	**$148,121**

Net deferred tax assets as of March 31, 2001 and 2000 are included in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Current assets:			
Deferred tax assets	**¥16,789**	¥14,284	**$135,507**
Investments and advances:			
Deferred tax assets	**1,563**	3,192	**12,614**
	¥18,352	¥17,476	**$148,121**

20. SEGMENT INFORMATION BY BUSINESS ACTIVITY

The Companies' operations by business segment for the year ended March 31, 2001 are not disclosed because 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.

21. SUBSEQUENT EVENT

At the general shareholders' meeting of the Company held on June 27, 2001, the payment of cash dividends, ¥45.0 ($0.36) per share, was approved, which amounted to ¥5,596 million ($45,168 thousand).

Report of the Independent Certified Accountants

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, 2001 and 2000, 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, 2001 and 2000, 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, made as of March 31, 2000 in the method of accounting for accrued severance indemnities and pension plan as described in Note 2 (12).

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

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 27, 2001

Non-Consolidated Balance Sheets

Promise Co., Ltd.
March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
ASSETS			
Current assets:			
Cash and cash equivalents	**¥ 91,544**	¥ 119,539	**$ 738,850**
Time deposits	**7,926**	10,915	**63,971**
Consumer loans receivable:			
Principal	**1,228,026**	1,100,546	**9,911,431**
Accrued interest income	**11,898**	10,289	**96,026**
Less: allowance for credit losses	**(46,500)**	(39,110)	**(375,303)**
	1,193,424	1,071,725	**9,632,154**
Prepaid expenses	**2,071**	2,434	**16,711**
Deferred tax assets	**13,237**	13,520	**106,833**
Other current assets	**73,617**	9,897	**594,178**
Total current assets	**1,381,819**	1,228,030	**11,152,697**
Investments and advances:			
Investments in securities	**17,612**	14,524	**142,151**
Investments in and advances to subsidiaries and affiliates	**42,736**	15,496	**344,921**
Investments in equity other than capital stock	**2,662**	3,915	**21,482**
Long-term prepaid expenses	**731**	1,928	**5,898**
Deferred tax assets	**1,164**	2,986	**9,397**
Other investments and advances	**12,677**	15,673	**102,320**
Total investments and advances	**77,582**	54,522	**626,169**
Property and equipment, net	**31,886**	58,220	**257,350**
Fixed leasehold deposits	**12,632**	12,344	**101,950**
Deferred charge	**—**	963	**—**
Total assets	**¥1,503,919**	¥1,354,079	**$12,138,166**

Note: Translation into U.S. dollars has been made on the basis of ¥123.90 to $1, the effective exchange rate at March 31, 2001.

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings	**¥ 4,900**	¥ 6,400	**$ 39,548**
Current portion of long-term debt	**240,207**	225,014	**1,938,719**
Accounts payable	**7,753**	7,407	**62,571**
Accrued income taxes	**18,165**	23,545	**146,614**
Accrued expenses	**7,205**	6,505	**58,149**
Other current liabilities	**1,651**	376	**13,320**
Total current liabilities	**279,881**	269,247	**2,258,921**
Long-term liabilities:			
Long-term debt	**707,247**	638,262	**5,708,206**
Non-current accounts payable	**2,884**	5,056	**23,274**
Accrued severance indemnities	**12,441**	9,477	**100,414**
Other long-term debt	**134**	1,780	**1,086**
Total long-term liabilities	**722,706**	654,575	**5,832,980**
Contingent liabilities			
Shareholders' equity:			
Common stock, ¥50 par value:			
Authorized—300,000,000 shares			
Issued—124,715,592 shares at March 31, 2001;	**49,054**	—	**395,914**
121,597,202 shares at March 31, 2000	**—**	48,898	**—**
Additional paid-in capital	**72,236**	58,692	**583,018**
Legal reserve	**12,252**	11,569	**98,892**
Voluntary reserve	**299,300**	240,800	**2,415,658**
Retained earnings	**63,978**	70,298	**516,369**
Net unrealized gain on securities	**4,512**	—	**36,414**
Total shareholders' equity	**501,332**	430,257	**4,046,265**
Total liabilities and shareholders' equity	**¥1,503,919**	¥1,354,079	**$12,138,166**

Non-Consolidated Statements of Income

Promise Co., Ltd.
For the years ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Operating income:			
Interest on consumer loans	**¥282,664**	¥256,414	**$2,281,386**
Other operating income	**10,110**	8,585	**81,600**
Total operating income	**292,774**	264,999	**2,362,986**
Operating expenses:			
Financial expenses	**22,069**	21,298	**178,118**
General and administrative expenses	**110,700**	106,496	**893,461**
Provision for uncollectible loans	**43,827**	34,866	**353,732**
Total operating expenses	**176,596**	162,660	**1,425,311**
Operating profit	**116,178**	102,339	**937,675**
Other income (expenses):			
Interest and dividend income on investments	**416**	511	**3,357**
Amortization of deferred charge	**(963)**	(963)	**(7,773)**
Bond issue expenses	**(9)**	(235)	**(70)**
Insurance money received and insurance divided	**321**	217	**2,591**
Equity in earnings of Tokumei Kumiai	**1,803**	993	**14,551**
Net gain on sales of short-term investments and investments in securities	**1,972**	527	**15,914**
Loss on valuation of investments in securities	**—**	(13)	**—**
Net loss on sales or disposal of property and equipment	**(17,579)**	(2,104)	**(141,882)**
Gain on liquidation of Tokumei Kumiai	**—**	2,094	**—**
Past service cost of retirement benefits	**(709)**	(2,089)	**(5,721)**
Gain on liquidation of subsidiaries	**1,780**	—	**14,370**
Impairment loss on deposits for golf club membership	**(962)**	—	**(7,762)**
Other, net	**(395)**	(974)	**(3,196)**
Total other expenses, net	**(14,325)**	(2,036)	**(115,621)**
Income before income taxes	**101,853**	100,303	**822,054**
Income taxes:			
Current	**39,500**	45,890	**318,805**
Deferred	**(1,168)**	(2,825)	**(9,432)**
	38,332	43,065	**309,373**
Net income	**¥ 63,521**	¥ 57,238	**$ 512,681**

	Yen		U.S. Dollars
Amount per share:			
Net income:			
Basic	**¥513.24**	¥475.84	**$4.11**
Cash dividends	**90.00**	80.00	**0.73**
Weighted average number of shares (Thousands):			
Basic	**123,765**	120,289	

Note: Translation into U.S. dollars has been made on the basis of ¥123.90 to $1, the effective exchange rate at March 31, 2001.

Non-Consolidated Statements of Shareholders' Equity

Promise Co., Ltd.
For the years ended March 31, 2001 and 2000

		Millions of Yen					
	Number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Voluntary reserve	Retained earnings	Net unrealized gain on securities
Balance at March 31, 1999	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	—
Balance at March 31, 2000	121,597,202	48,898	58,692	11,569	240,800	70,298	—
Net income	**—**	**—**	**—**	**—**	**—**	**63,521**	**—**
Legal reserve	**—**	**—**	**—**	**683**	**—**	**(683)**	**—**
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**(10,422)**	**—**
Bonuses to directors and statutory auditors	**—**	**—**	**—**	**—**	**—**	**(236)**	**—**
Transfer to voluntary reserve	**—**	**—**	**—**	**—**	**58,500**	**(58,500)**	**—**
Issuance of new shares through stock exchange	**3,118,390**	**156**	**13,544**	**—**	**—**	**—**	**—**
Increase due to valuation of securities, net of tax	**—**	**—**	**—**	**—**	**—**	**—**	**4,512**
Balance at March 31, 2001	**124,715,592**	**¥49,054**	**¥72,236**	**¥12,252**	**¥299,300**	**¥63,978**	**¥4,512**

		Thousands of U.S. Dollars					
	Number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Voluntary reserve	Retained earnings	Net unrealized gain on securities
Balance at March 31, 2000	121,597,202	$394,656	$473,703	$93,376	$1,943,503	$567,375	$ —
Net income	**—**	**—**	**—**	**—**	**—**	**512,681**	**—**
Legal reserve	**—**	**—**	**—**	**5,516**	**—**	**(5,516)**	**—**
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**(84,114)**	**—**
Bonuses to directors and statutory auditors	**—**	**—**	**—**	**—**	**—**	**(1,903)**	**—**
Transfer to voluntary reserve	**—**	**—**	**—**	**—**	**472,155**	**(472,155)**	**—**
Issuance of new shares through stock exchange	**3,118,390**	**1,258**	**109,315**	**—**	**—**	**—**	**—**
Increase due to valuation of securities, net of tax	**—**	**—**	**—**	**—**	**—**	**—**	**36,414**
Balance at March 31, 2001	**124,715,592**	**$395,914**	**$583,018**	**$98,892**	**$2,415,658**	**$516,369**	**$36,414**

Note: Translation into U.S. dollars has been made on the basis of ¥123.90 to $1, the effective exchange rate at March 31, 2001.

Subsidiaries and Affiliates

(As of March 31, 2001)

DOMESTIC SUBSIDIARIES:

Company Name and Address	Ownership (%)	Principal Business
GC Co., Ltd.*		
2-4-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0843	100.00	Sales finance
Rich Co., Ltd.**		
1-2-2, Umeda, Kita-ku, Osaka 530-0001	100.00	Consumer finance services
Shinkou Co., Ltd.**		
1-2-2, Umeda, Kita-ku, Osaka 530-0001	100.00	Consumer finance services
Towa Co., Ltd.**		
3-18-8, Uchi-kanda, Chiyoda-ku, Tokyo 101-0047	100.00	Consumer finance services
MOBIT Co., Ltd.***		
2-17-22, Akasaka, Minato-ku, Tokyo 107-0052	40.00	Consumer finance services
PAL Corporation Ltd.*		
1-2-2, Umeda, Kita-ku, Osaka 530-0001	100.00	Real estate sales and brokerage; design of branches, signs, etc.
Net Future Co., Ltd.*		
2-27-20, Minami-Aoyama, Minato-ku, Tokyo 107-0062	100.00	Operation and management of ATMs and computer peripherals
System Trinity Co., Ltd.		
2-16-1, Shibuya, Shibuya-ku, Tokyo 150-0002	49.00	Computer system design, operation, and management
PAL Servicer Co., Ltd.		
4-2-4, Minami-Senba, Chuo-ku, Osaka 542-0081	100.00	Obligation recovery business

* Consolidated subsidiary
** Included in the consolidation effective from the year ended March 31, 2001
*** Accounted for by the equity method
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
TAIWAN		
Liang Jing Co., Ltd.*		
2, Sec. 3, Minsheng E. Rd., Taipei	60.00	Installment sales of automobiles, construction materials, etc.
Yuukei Co., Ltd.*		
2, Sec. 3, Minsheng E. Rd., Taipei	100.00	Installment sales of automobiles, construction materials, etc.
CHINA		
PROMISE (HONG KONG) CO., LTD.*		
3rd Floor, Number 80 Building, 80 Gloucester Road, Wanchai, Hong Kong, S.A.R.	100.00	Consumer finance services
FRANCE		
PROMISE (EUROPE) S.A.		
1, Chemin des Vanneaux 95290, L'isle-Adam	100.00	Golf course operation and management
CAYMAN ISLANDS (Dependent territory of the United Kingdom)		
PAL Investment (Cayman) Co., Ltd.		
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 two overseas joint ventures.
NANJING SHENZHOU SEED INDUSTRY CO., LTD. (50% owned)
HARBIN SHENNONG M. V. FEED CO., LTD. (50% owned)

Corporate Information

(As of March 31, 2001)

Date of Establishment:
March 20, 1962

Fiscal Year:
April 1 to March 31

Auditor:
ChuoAoyama Audit Corporation

Number of Employees:
3,844

Paid-in Capital:
¥49,053 million

Common Stock:
Authorized: 300,000,000 shares
Issued: 124,715,592 shares

Number of Shareholders:
4,660

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, 2001)

Head Office:
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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

* Promise's 11 offices were consolidated into 8 offices in April 2001.

Branches:
1,507

PROMISE

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