



PROMISE



Year ended March 31, 2003

Annual Report 2003

Promise Co., Ltd., since its establishment in 1962, has grown steadily by building on its core business of providing unsecured loans to individuals. Although competition in the retail financial services field is intensifying, as new entrants from other industries seek a share of the market, the Promise Group is working to strengthen its business position and earnings by steadily expanding its customer base and building a high-quality asset portfolio.

The Promise Group is committed to continuing to meet the changing times and customers' changing needs and responding to the expectations of shareholders and investors. We look forward to your continuing support in the years ahead.

# PROMISE



**Specialization**

Specialize exclusively in consumer finance



**Cultivation**

Further cultivating business in response to changing times and customers' changing needs



**Evolution**

Transform relationship with customers into an advisor-client relationship



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# VISION

## No. 1 Support of Customers



### 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, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>For the Year:</b>			
Total operating income.....	¥ 410,619	¥ 394,495	\$ 3,416,133
Operating profit.....	106,958	114,518	889,833
Income before income taxes.....	105,806	112,308	880,247
Net income.....	60,716	62,941	505,128
Credit losses including provision for uncollectible loans.....	124,810	96,996	1,038,358
<b>At Year-end:</b>			
Total assets.....	1,855,353	1,833,777	15,435,546
Consumer loans receivable: Principal.....	1,614,524	1,543,288	13,431,978
Total shareholders' equity.....	618,110	574,866	5,142,344
Interest-bearing debt.....	1,154,086	1,164,873	9,601,377
Allowance for credit losses.....	115,398	87,213	960,054
<b>Amount per Share (Yen/U.S. Dollars):</b>			
Net income, basic*.....	¥ 483.62	¥ 504.78	\$ 4.02
Cash dividends.....	100.00	100.00	0.83
Shareholders' equity.....	4,952.12	4,580.66	41.20

\* 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 ¥120.20 to U.S.\$1, the approximate exchange rate at March 31, 2003.

## Non-Consolidated Basis

Promise Co., Ltd.  
Years ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>For the Year:</b>			
Total operating income.....	¥ 326,556	¥ 316,247	\$ 2,716,774
Operating profit.....	105,419	104,165	877,031
Income before income taxes.....	106,005	106,423	881,909
Net income.....	61,412	61,250	510,914
Credit losses including provision for uncollectible loans.....	89,463	76,627	744,284
<b>At Year-end:</b>			
Total assets.....	1,700,480	1,670,481	14,147,089
Consumer loans receivable: Principal.....	1,375,693	1,324,663	11,445,034
Total shareholders' equity.....	597,264	552,889	4,968,918
Interest-bearing debt.....	1,039,912	1,042,619	8,651,514
Allowance for credit losses.....	87,000	68,000	723,794
<b>Amount per Share (Yen/U.S. Dollars):</b>			
Net income, basic*.....	¥ 488.87	¥ 491.09	\$ 4.07
Shareholders' equity.....	4,780.81	4,401.48	39.77

\* 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 ¥120.20 to U.S.\$1, the approximate exchange rate at March 31, 2003.

## To Our Fellow Shareholders and Investors

During the fiscal year ended March 31, 2003, although there were signs of improvement in some areas, conditions in the Japanese economy became progressively more challenging. This reflected in part the growing lack of transparency regarding the future course of the world economy and was symbolized by continuing high levels of the unemployment rate in Japan and further deterioration in the domestic stock market, as the Nikkei Stock Average reached its lowest levels since the collapse of Japan's bubble economy.

In the consumer finance industry, concerns mounted regarding the increase in loans past due and loan losses accompanying the deterioration in economic conditions and the growing competition in the industry, as new entrants from other sectors entered the business. As a result of these circumstances, Promise Co., Ltd., reported a decline in profitability, but the Company is committed to the steady implementation of its corporate strategies for future growth, even under today's adverse conditions.

We would first like to summarize Promise's performance during the fiscal year under review. The balance of outstanding loans on a consolidated basis rose 4.6%, to ¥1,614.5 billion, and total operating income expanded 4.1%, to ¥410.6 billion. However, as a result of the increase in loan losses and the one-time expenses incurred in connection with the integration of three of our subsidiaries to form Plat Corporation, operating profit declined 6.6%, to ¥107.0 billion, and income before income taxes was down 5.8%, to ¥105.8 billion. Net income amounted to ¥60.7 billion, representing a decline of 3.5% from the previous fiscal year.

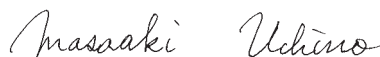
Next, we would like to turn to our strategies for future growth. The Promise Group is committed to providing tailored responses to the increasingly diverse needs of its customers. We are also implementing initiatives to enhance the quality of assets and to improve profitability through increasing the efficiency of Group management.

In our principal business of consumer finance, MOBIT Co., Ltd., our joint venture with UFJ Bank Limited and one other company, combines Promise's credit analysis and loan management know-how with UFJ Bank's brand and marketing channel development capabilities. With this combination of strengths, MOBIT is steadily expanding its customer base and developing new market segments. As a consequence, at the end of the fiscal year, MOBIT reported a balance of outstanding loans of more than ¥120 billion, and, in its third period of operations, recorded net income of ¥60 million, its first profit for a full fiscal year. In addition, Plat, which was formed from the merger of three former subsidiaries—Rich Co., Ltd., Shinkou Co., Ltd., and TOWA Co., Ltd.—is focusing on low-cost operations by providing services jointly through the Promise network of automated contract machines and ATMs. For the fiscal year under review, Plat reported an increase in its balance of outstanding loans.

With Promise as the focal point of Group operations, MOBIT and Plat are making major contributions to the implementation of Promise's strategy of broadening and deepening the overall consumer market by offering a full lineup of interest rate products suited to various customer segments. In addition to this strategy, we are working toward the development of new business models based on strategic alliances with companies in other industries and types of businesses. Moreover, we are steadily implementing initiatives to develop business activities on the periphery of consumer finance and expand our overseas finance operations, with the aim of strengthening future profitability.

We believe that economic conditions will continue to present challenges, but we are working to build a strong base for our activities that will enable us to respond flexibly to any and all changes in the operating environment. We are also endeavoring to create stronger systems to ensure compliance and establish risk management capabilities enabling quicker responses. We are committed to meeting and overcoming the challenges we confront and responding to the expectations of our shareholders and investors.

July 2003



Masaaki Uchino,

Chairman and Representative Director



Hiroki Jinnai,

President and Representative Director

# A Review of Promise's Today and Strategies for Tomorrow

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Hiroki Jinnai, President and Representative Director

## Looking Back on the Fiscal Year

During the fiscal year ended March 31, 2003, Japan's consumer finance industry experienced strong headwinds as the domestic economic environment deteriorated because of continuing deflation, a high unemployment rate, and other factors, including an increase in the number of personal bankruptcies. In particular, the increase in reserves made necessary by the rise in loan losses placed downward pressure on profitability in the industry.

Looking at consolidated performance during the fiscal year under review, total operating income expanded 4.1%, to ¥410.6 billion, but operating profit dropped 6.6%, to ¥107.0 billion. Recurring profit declined 3.6%, to ¥108.0 billion, and net income was down 3.5%, to ¥60.7 billion. In an extremely challenging business environment, Promise reported its second consecutive year of declines in profitability, despite a slight increase in total operating income. The principal factors accounting for the increase in total operating income were the rise in consumer loans receivable at the parent company, Promise Co., Ltd., and at consumer finance subsidiary Plat Corporation. Another

factor supporting growth in total operating income was the contribution for the full fiscal year of consumer finance subsidiary Sun Life Co., Ltd., which was consolidated beginning in the fourth quarter of the previous fiscal year. On the other hand, factors reducing profitability—despite activities to reduce operating costs—included the rise in loan losses and the increase in expenses incurred in connection with the merging of three subsidiaries—Rich Co., Ltd., Shinkou Co., Ltd., and TOWA Co., Ltd.—to form Plat.

Although we cannot be proud of our results for the fiscal year, we believe that some decline in performance was inevitable in view of the serious impact of the deterioration in economic conditions on consumers and the rise in the number of personal bankruptcies. Please note that the smaller margin of decline in net income than in operating profit was due to the contribution of MOBIT Co., Ltd., our joint venture with UFJ Bank Limited and one other company, which reported its first profit for a full fiscal year. Promise owns 45% of the equity of MOBIT, and it is accounted for by the equity method of consolidation.

## Difficulties Today Will Be the Touchstone for Future Growth.

Promise's loan losses have risen substantially for two consecutive years, beginning with the year ended March 2002, and are placing pressure on profitability. I wonder if shareholders and investors, after examining Promise and other companies in the consumer finance industry, are perhaps concerned that loan losses may continue to rise indefinitely. However, I do not view the current operating environment pessimistically.

The reasons for the increase in loan losses are our strict adherence to basic principles for dealing with nonperforming loans and the rapid rise in the number of consumers seeking legal settlements for debt problems, including, principally, personal bankruptcy. Our basic policy is to write off exposure when no repayments have been received within six months following the date of the most recent transaction with the client. Our policy is to take quick action to avoid the accumulation of nonperforming assets internally. In addition, in the case of personal bankruptcies, our policy is to write off exposure as soon as we can confirm that the customer has applied for bankruptcy proceedings, regardless of how long the loan has been delinquent. Our criteria for write-offs are more conservative than other companies in the consumer finance industry. For this reason, deterioration in the economic



environment is reflected quickly in our performance. Moreover, in deciding on the provision for uncollectible loans, we take a conservative approach, basing our judgments on the actual ratio of loan losses over the most recent 12 months while also taking account of the most recent data on increases in nonperforming loans and our forecast of the level of personal bankruptcies for the next year. During periods when nonperforming loans and loan losses are rising, our credit-related costs, therefore, rise relatively quickly as we adopt a conservative stance toward setting provisions for uncollectible loans. These criteria are intended to maintain the quality of our assets, and they remain unchanged from previous years. After the collapse of Japan's bubble economy, many financial institutions had negative assets in the form of nonperforming loans. To avoid making the same error, we adopt strict and conservative policies in dealing with nonperforming loans.

To look at this issue from another perspective, if the operating environment improves, we are well positioned to show a quick recovery in profitability. In addition, two years have passed since loan losses began to rise, but at approximately the time the increase began, we began to take initiatives to improve the quality of our assets by implementing measures to tighten our credit-screening process and strengthen our loan-management systems.

The Japanese economy is experiencing deflationary conditions unlike any experienced before, and steering the right course has become more difficult for corporate managements. The stance we adopt for dealing with today's challenging environment will have a major impact on future growth.

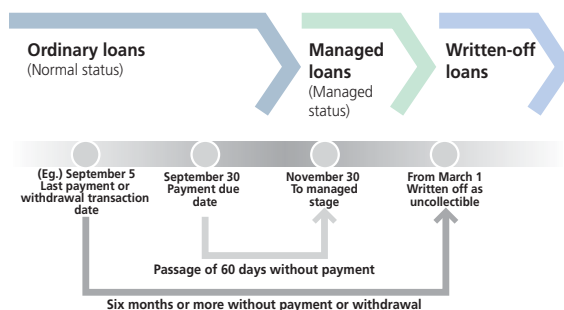
### Pursuing the Ideal in Our Core Business of Consumer Finance

As the operating environment undergoes major change, it may seem to shareholders and investors that the risk of relying only on income from the consumer finance business may be high. From a different perspective, one view is that we should work to disperse risk through the diversification and development of multiple sources of earnings. I would, therefore, next like to share with you some of our basic thoughts and describe the strategies we plan to adopt.

Since Promise was founded 40 years ago, it has consistently adopted the corporate philosophy of "pursuing the ideal in consumer finance." We have looked at our business from the perspective of our customers and from the viewpoint of corporate management. We have asked ourselves the questions "What financial products do our customers want?", "What criteria will customers use in selecting Promise?", and "What should we do to attain sustainable growth?" At the same time, we have accumulated know-how and moved forward with the design and development of systems for credit analysis, product development, marketing, and the management of credit assets. This corporate stance reflects our quest for ways to contribute to economic development by providing services to meet the wide range of financial needs of our customers and our awareness of our role and presence within society. We believe the success of our approach is reflected in the fact that unsecured credit products account for 99% of our receivables and consumer loans.

In 1998, we prepared a management policy entitled Promise Vision, which stated our corporate philosophy more specifically. Promise

### Promise's Loan Processing Flow (for Unsecured Loans)





Vision indicated that we would specialize in the business domain of consumer finance, and, by expanding and upgrading our product development capabilities and our IT, we would provide more in-depth services for our customers, featuring quick response, convenience, safety, and satisfaction. Promise Vision also aimed to demonstrate to a large number of customers the merits of dealing with Promise and evolve strong relationships built on mutual trust, with the objective of becoming the first choice among customers and achieving a stable and expanding market share. At present, we are continuing to exert our fullest efforts to reaching this objective.

I believe the consumer finance business will continue to undergo substantial development. As evidence of this, we find that the traditional players in this industry—including consumer finance providers, installment sales finance companies, credit card companies of retailing enterprises, and bank-related credit card companies—are being joined by foreign companies and entrants from banking and other industries. The financial needs of consumers will never be fully satisfied. However, the operating environment is becoming more competitive. The most important issues are whether to take the lead in offering services that match the broad diversity of consumer needs and to what extent to increase the level of sophistication of credit analysis and credit asset management know-how, which are the strengths of consumer finance companies. At present, to increase the quality of assets, we are making improvements that will allow our branches to conduct all aspects of credit asset management on a self-contained basis. This approach is based on the idea that we can deal with the issue of risk-managed loans—which are rising as a percentage of total

loans as a growing number of loans become nonperforming—through preventive measures at the branch office level.

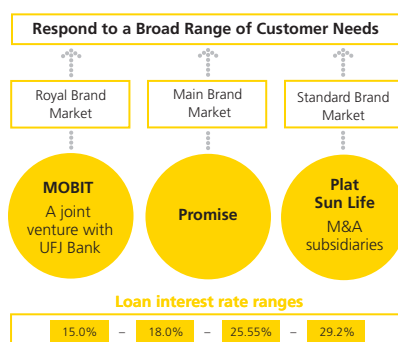
We plan to draw fully on our expertise and move forward with initiatives that do not take us away from our core business of consumer finance.

### Understanding Market Trends and Implementing Strategies Responding to the Needs of the Times

Currently, we are working to expand the consumer finance market and broaden our customer base through the implementation of our strategy of offering a full lineup of interest rate products suited to various customer segments. This strategic approach to the market is based on offering this full lineup drawing on the capabilities of the entire Promise Group. Promise, the parent company, offers products with interest rates ranging from 17.8% to 25.55%, while MOBIT, our joint venture with UFJ Bank and one other company, provides loans with interest rates at 15% and 18% and Plat and Sun Life charge rates up to 29.2%.

MOBIT, which began operations in September 2000, fuses the UFJ Bank brand with Promise’s know-how in consumer finance. As of March 31, 2003, MOBIT had ¥123.6 billion in consumer loan receivables, and its balance of guarantees provided to banks had risen to ¥24.4 billion. MOBIT has now shown a profit for a full fiscal year for the first time, according to the plan prepared when the company was established, and it has been successful in developing a new market segment, which is a difficult task for a single consumer finance brand. As a joint venture between a bank and a consumer finance company, MOBIT is the most advanced in the consumer finance industry. The

### Full Lineup of the Promise Group’s Interest Rates







company is steadily increasing customer awareness through aggressive advertising and promotion, including the setting up of a marketing tool centered on the premises of UFJ Bank ATM corners. Customers can apply for loans via telephone, facsimile, Internet, and other channels, and these requests are handled by a centralized processing center. Receipts and payments of funds can be made through the ATMs of UFJ Bank, Promise, and other banks having tie-ups with MOBIT. Compared with the conventional model in the consumer finance industry of developing customer relationships mainly through branch offices, MOBIT's approach involves no branch costs. Beginning in May 2002, MOBIT is further diversifying its channels to win additional customers by installing terminals, "SUGUMOBIL," in UFJ Bank ATM corners and in private railway stations that allow customers to make loan applications in only 10 minutes.

On the other hand, M&A subsidiaries provide financing at higher interest rates up to 29.2%. Since April 2000, we have acquired four medium-sized consumer finance companies: Shinkou, Rich, TOWA, and Sun Life. Three of these companies, excluding Sun Life, were merged in April 2002 and began their activities anew under the corporate name Plat. Following the merger, we lowered Plat's office costs by closing or consolidating its branches, lowering the total number from 194 prior to the merger to 81. In addition, by giving Plat access to Promise's automated contract machines and ATMs, Plat increased the number of its channels by a factor of eight. As of March 31, 2003, Plat's consumer loans outstanding were up 17.6% above those of the previous year-end and amounted to ¥147.8 billion. However, like Promise, Plat has also experienced an increase in loan losses. Prior to

their acquisition, the three predecessor companies developed business with slightly riskier customer segments, similar to other medium-sized consumer finance companies. Following the acquisition but prior to the merger, the three companies aggressively wrote off their nonperforming loans and restructured their portfolios toward loans to customers capable of managing risk, even at interest rates of up to 29.2%. However, because of the increase in personal bankruptcies, Plat incurred higher-than-expected credit losses. We believe that the effects of the continued restructuring of Plat's loan portfolio and the rise in personal bankruptcies will continue through the next fiscal year, but, thereafter, our judgment is that, even with the current business model, Plat will be fully capable of expanding its consumer loans outstanding and increase its earnings.

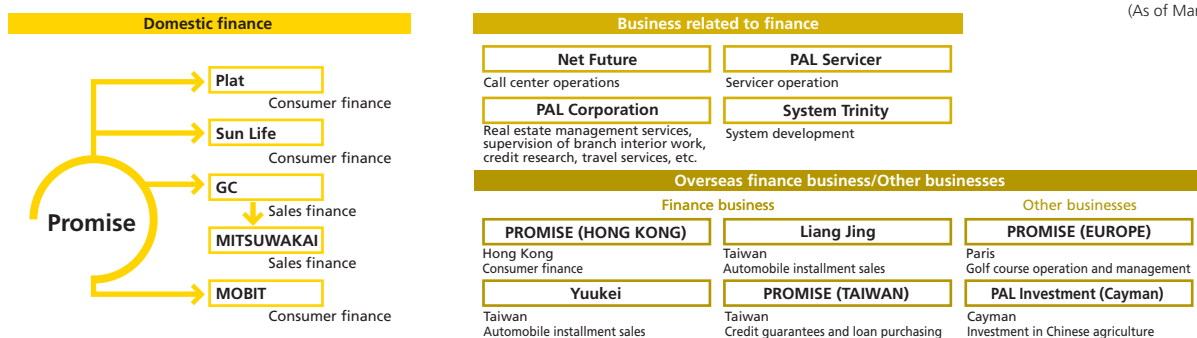
Looking at our strategic issues from a longer-term perspective, we must offer services that are suited to the changing social infrastructure. For example, the usage of IC cards and other new technologies will grow, and we expect the day will come when monetary settlements will be made without cash. Therefore, we have to take account of future settlement methods in our planning. This is a strategic issue for us, but it also promises to be a theme for future growth in our activities.

### Maintaining Our Core Business while Taking Advantage of Business Opportunities in Peripheral Areas

While maintaining consumer finance at the core of its business activities, the Promise Group is expanding its presence in areas on the periphery of finance and its overseas financing operations.

## The Promise Group Organization

(As of March 31, 2003)





In Japan, to make effective use of Promise's loan management know-how, we established PAL Servicer Co., Ltd., a non-consolidated company, in March 2001. Assets entrusted to PAL Servicer, as of March 31, 2003, amounted to more than ¥400 billion, and that company is working to become profitable in the medium term. In addition to these activities, we are taking steps to strengthen the operations of subsidiary Net Future Co., Ltd., which provides telemarketing representatives, principally in the financial services field.

The Promise Group is also expanding its business activities outside of Japan. For example, in 1989 we began to provide automobile financing through two subsidiaries in Taiwan: Liang Jing Co., Ltd., and Yuukei Co., Ltd. In 1992, we established PROMISE (HONG KONG) CO., LTD., in Hong Kong to provide consumer finance services similar to those of Promise in Japan. Also in Taiwan, PROMISE (TAIWAN) Co., Ltd., began operations in December 2002, with a 70% investment from Promise. This company is a joint venture with Ta Chong Bank, a medium-sized local bank, and it provides guarantees for individual loans made by the parent bank. In its initial plans, at the end of the first three years of operations, PROMISE (TAIWAN) aimed for a total balance of ¥29.5 billion in guarantees and its first profit for a full fiscal year, but currently the balance of loan guarantees is rising more rapidly than expected. We recognized the potential of the Asian markets early on, and we are well ahead of our competitors in developing overseas operations.

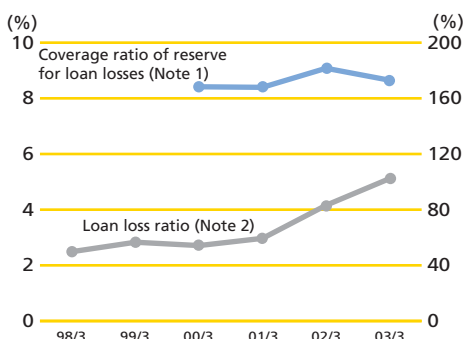
#### Current Issues—Increasing the Quality of Assets

While working to make the most efficient use of the corporate resources of the Promise Group as a whole, we are steadily implementing

strategies that will lead to future growth. During the fiscal year ended March 31, 2003, MOBIT achieved a highly satisfactory performance. On the other hand, loan losses at Promise and the other consumer finance subsidiaries rose overall, thus slowing growth in profitability. We experienced similar conditions in our sales finance operations. In each of our Group companies, we are implementing measures to substantially tighten credit analysis and approvals as well as strengthening the management of our loan portfolio. At present, however, because of the deterioration in the operating environment, the balance of non-performing loans is rising more rapidly, and some adverse impact on profitability has been unavoidable. However, although the loan loss ratio is rising, it is still at a level that is well within our control and has not become unmanageable. At present, we are restructuring our loan portfolio and taking all possible measures to increase the quality of our assets.

Let me explain this further, using the parent company as an example. During the fiscal year ended March 31, 2003, we gained 330,000 new customers and 600,000 former customers, whose loan balances had dropped to zero, who came back to us for financing. This was a factor contributing to the rise in the total number of accounts. On the other hand, factors contributing to a decline were as follows: 800,000 customers fully repaid their loans (their account balances fell to zero), and loans to 175,000 customers were written off. As a result, at the end of March 2003, the number of accounts was lower than for a year earlier. The number of new customers was 17.4% lower than for the previous fiscal year-end, but this was due to restraint in taking on borrowings among customers combined with the effects of the

**Promise's Loan Loss Ratio and Coverage Ratio of Reserve for Loan Losses**



Notes: 1. Coverage ratio of reserve for loan losses= reserve for loan losses/disclosed non-performing loans (right scale)  
2. Loan loss ratio=total loan losses/balance of loans outstanding at term-end (left scale)



Promise's loan processing machine



introduction of more stringent credit standards for new loans in November 2001. The trends in customers reopening their credit lines and those completing repayment are virtually the same as in the past. The number of loans written off was 17.5% higher than at the previous fiscal year-end and this, together with the decline in the number of new customers, resulted in the drop in the number of accounts.

If the number of new customers and the number of customers reopening their accounts rise, we will be able to make further progress toward restructuring our loan portfolio. However, as a matter of principle, we intend to continue to apply the stringent credit standards currently in effect. To keep the portfolio restructuring on track, during the current fiscal year, ending March 31, 2004, we intend to actively expand our marketing channels and step up our advertising campaigns. Along with this, in our office network strategy, we intend to increase efficiency by closing more than 80 branches that are substandard in terms of profitability. We will also install loan processing machines similar to those adopted by MOBIT in 200 locations, mainly around large urban areas. These loan processing machines feature lower initial investment and running costs in comparison with previous automated contract machines. By implementing these measures, we intend to expand access channels for customers and increase the number of loan applications, with the objective of gaining more new customers, even as we apply strict credit criteria. In addition to these activities, we will strengthen our advertising in various media, including the Internet, conclude alliances with other companies and groups, and promote alliances with banks to provide loan guarantees.

Another development has been the introduction of a "navigation system" that enables us to view a full list of transactions of individual customers. This new system allows us to manage customer relations from an integrated perspective. Moreover, this system accumulates information on responses given to individual customers and permits us to detect any change in their transactions behavior quickly.

In addition to the activities of the parent company, all the other members of the Promise Group are also implementing measures suited to their activities, and, for the foreseeable future, enhancing asset quality will continue to have high priority. To achieve these qualitative improvements, we will restrain growth in consumer loans outstanding.

### **Now Is the Time to Prepare for the Next Steps in Our Development. The Course Is Clear.**

All management and staff of the Promise Group understand the risks in today's business environment. For all of us to be aware of these risks is extremely important for implementing corporate reforms. Having an accurate awareness of the risks we face enables us to take quantum leaps in our ability to find solutions to problems, and all personnel will get ready to deal with all changes in the business environment that may come our way. We believe current circumstances offer us a good opportunity, and we are making major reforms in our internal systems. For example, we are reforming our cost structure based on detailed reviews of various expenses and stepping up our efforts to monitor the cost performance of these activities periodically. In addition, in corporate governance, we have reduced the number of directors and introduced an Executive Officer System to speed up decision making. In compliance, we have formed a department to promote compliance-related activities and are conducting periodic training programs. Along with these measures, we have made it compulsory for personnel in managerial or higher positions to obtain the official qualifications appropriate to their activities. Moreover, we have conducted a thorough review of our personnel systems, and, to encourage everyone to use their capabilities to the fullest, we are introducing a compensation system based on ability.

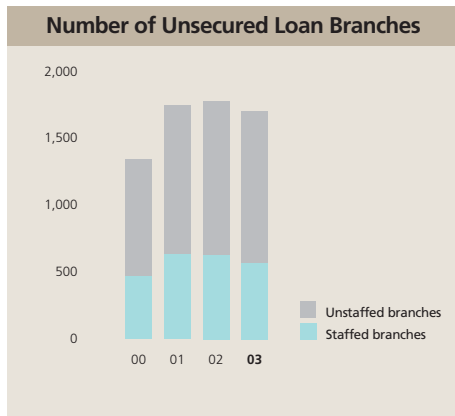
At the present time, it is essential for us to strike a good balance among various courses of action we have available. We might summarize this by saying we have to maintain a balance between "offense" and "defense." We must keep our eyes on the operating environment, customers, and internal matters. We must not hesitate in strengthening the quality of our management, and, if we implement appropriate customer strategies, we will achieve major gains without fail. It might seem that, in terms of performance, we are in a defensive mode. However, we would like you to understand that we are in a period of reforms and changes aimed at future growth.

To use a metaphor, we are on a voyage facing heavy winds, but we have not lost sight of our goals, despite the rough seas. We have a clear course before us. To overcome the storm, we are keeping a close eye on all details of our operations.

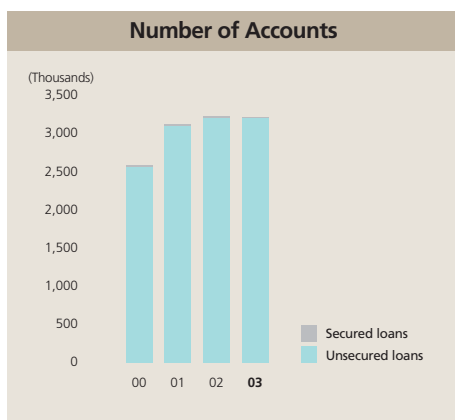
I believe an excellent future awaits us after our voyage. I believe there is no doubt about that.

# Data Section (Consolidated Basis)

## Business Indicators

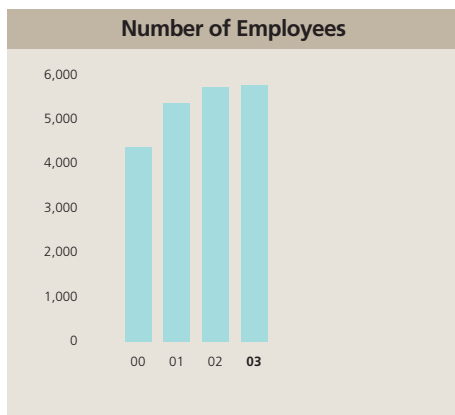


	2000/3	2001/3	2002/3	2003/3
Number of unsecured loan branches	1,352	1,755	1,785	<b>1,711</b>
Staffed branches	470	637	630	<b>570</b>
Unstaffed branches	882	1,118	1,155	<b>1,141</b>
Number of ATMs and CDs	1,909	2,182	2,208	<b>2,105</b>
Number of automated contract machines	1,297	1,645	1,651	<b>1,556</b>



(Thousands)

	2000/3	2001/3	2002/3	2003/3
Number of accounts	2,588	3,129	3,233	<b>3,227</b>
Individual customers	2,588	3,129	3,233	<b>3,227</b>
Unsecured loans	2,585	3,126	3,230	<b>3,225</b>
Secured loans	2	2	2	<b>2</b>
Corporate customers	0	0	0	<b>0</b>
Unsecured loans	—	—	—	<b>0</b>
Secured loans	0	0	0	—



	2000/3	2001/3	2002/3	2003/3
Number of employees	4,372	5,376	5,723	<b>5,773</b>

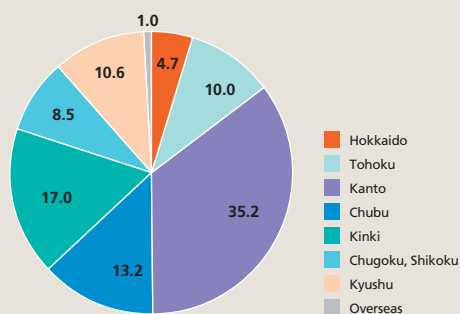


(¥ million)

	2000/3	2001/3	2002/3	2003/3
Consumer loans outstanding	1,159,253	1,418,656	1,543,288	<b>1,614,524</b>
Individual customers	1,155,154	1,414,999	1,540,288	<b>1,613,500</b>
Unsecured loans	1,147,310	1,406,327	1,532,578	<b>1,607,121</b>
Secured loans	7,843	8,671	7,710	<b>6,378</b>
Corporate customers	4,098	3,656	3,000	<b>1,023</b>
Unsecured loans	—	—	—	<b>1,023</b>
Secured loans	4,098	3,656	3,000	—

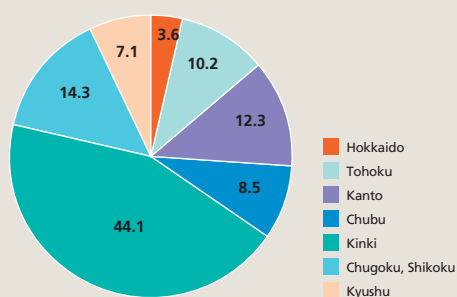
### Unsecured Loans Outstanding, by Area

(At March 31, 2003)  
(%)

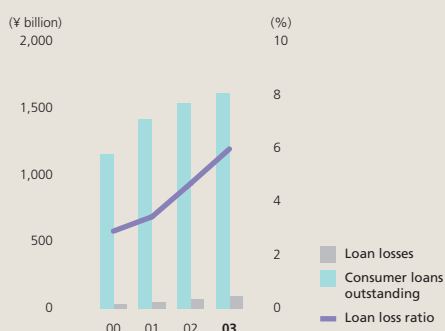


### Secured Loans Outstanding, by Area

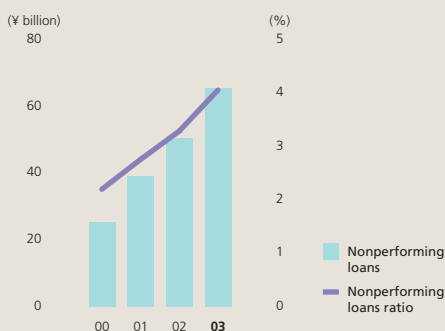
(At March 31, 2003)  
(%)



### Loan Losses



### Nonperforming Loans



(¥ million)

	2000/3	2001/3	2002/3	2003/3
Unsecured loans outstanding	1,147,310	1,406,327	1,532,578	<b>1,608,145</b>
Domestic	1,139,233	1,393,576	1,514,506	<b>1,592,396</b>
Hokkaido	53,072	70,779	73,831	<b>75,114</b>
Tohoku	123,369	146,932	152,743	<b>160,028</b>
Kanto	379,436	474,849	526,717	<b>565,624</b>
Chubu	158,265	184,857	198,731	<b>212,390</b>
Kinki	208,861	253,076	267,302	<b>273,141</b>
Chugoku, Shikoku	82,930	105,151	132,012	<b>136,285</b>
Kyushu	133,297	157,930	163,167	<b>169,812</b>
Overseas	8,077	12,750	18,071	<b>15,748</b>
Hong Kong	8,077	12,750	18,071	<b>15,748</b>

(¥ million)

	2000/3	2001/3	2002/3	2003/3
Secured loans outstanding	11,942	12,328	10,710	<b>6,378</b>
Hokkaido	152	205	254	<b>232</b>
Tohoku	953	924	793	<b>648</b>
Kanto	5,564	4,339	3,980	<b>784</b>
Chubu	747	754	617	<b>542</b>
Kinki	3,800	4,036	3,469	<b>2,810</b>
Chugoku, Shikoku	681	1,692	1,093	<b>910</b>
Kyushu	42	374	501	<b>450</b>

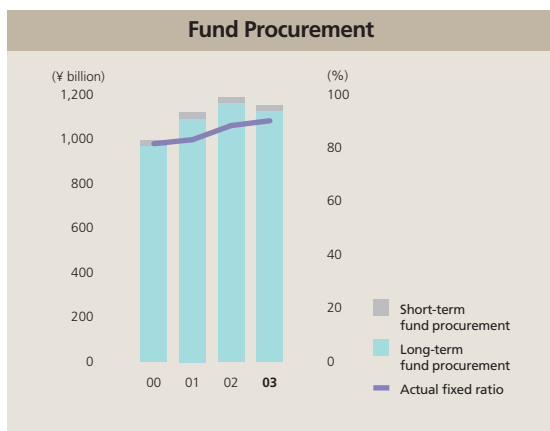
(¥ million)

	2000/3	2001/3	2002/3	2003/3
Consumer loans outstanding	1,159,253	1,418,656	1,543,288	<b>1,614,524</b>
Loan losses	34,088	48,789	72,324	<b>96,608</b>
Loan loss ratio (%)	2.94	3.44	4.69	<b>5.98</b>
Expenses for loan losses	40,030	55,990	96,996	<b>124,810</b>
Provision for loan losses	40,030	55,990	86,215	<b>114,733</b>
Additional expense for loan losses	—	—	10,780	<b>10,077</b>
Collection of written-off loans	6,957	8,518	7,920	<b>6,537</b>

(¥ million)

	2000/3	2001/3	2002/3	2003/3
Consumer loans outstanding	1,159,253	1,418,656	1,543,288	<b>1,614,524</b>
Nonperforming loans	25,387	38,992	50,625	<b>65,402</b>
Nonperforming loans ratio (%)	2.19	2.75	3.28	<b>4.05</b>
Credits of bankrupt borrowers	129	109	2,648	<b>4,437</b>
Delinquent loans	118	171	706	<b>699</b>
Delinquent loans past due three months or more	5,517	7,924	9,842	<b>13,849</b>
Restructured loans	19,623	30,788	37,429	<b>46,417</b>

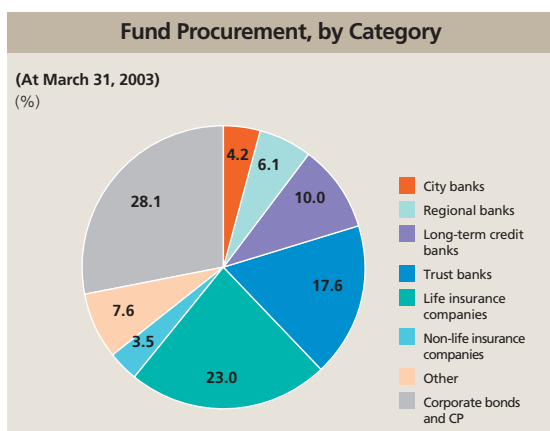
## Fund Procurement



	2000/3	2001/3	2002/3	2003/3
Total fund procurement (interest-bearing debt)	970,598	1,094,274	1,164,873	<b>1,154,086</b>
Short-term fund procurement	29,846	29,158	24,855	<b>26,990</b>
Ratio of short-term fund procurement (%)	3.1	2.7	2.1	<b>2.3</b>
Short-term borrowings	23,216	24,090	19,835	<b>24,395</b>
Commercial paper (CP)	6,630	5,068	5,020	<b>2,595</b>
Long-term fund procurement	940,752	1,065,117	1,140,017	<b>1,127,096</b>
Ratio of long-term fund procurement (%)	96.9	97.3	97.9	<b>97.7</b>
Long-term borrowings	755,752	808,117	828,017	<b>805,096</b>
Fixed interest rate	477,197	512,990	572,877	<b>581,308</b>
Variable interest rate	278,555	295,127	255,140	<b>223,787</b>
Of which, interest rate swaps and caps	142,907	162,806	168,509	<b>161,419</b>
Straight bonds	185,000	257,000	312,000	<b>322,000</b>
Of which, floating rate notes	10,000	20,000	20,000	<b>20,000</b>
Convertible bonds	—	—	—	—
Actual fixed ratio (%)	81.9	83.4	88.7	<b>90.5</b>
Average interest rate on fund procurement	2.49	2.43	2.09	<b>2.01</b>

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

The Company procures long-term borrowings at fixed interest rates, taking into account market interest rates. At March 31, 2003, the Company's actual fixed ratio stood at 90.5%, including corporate bonds.



	2000/3	2001/3	2002/3	2003/3
Total fund procurement (interest-bearing debt)	970,598	1,094,274	1,164,873	<b>1,154,086</b>
Total borrowings	778,968	832,207	847,852	<b>829,491</b>
City banks	28,653	35,019	44,120	<b>48,340</b>
Regional banks	36,962	38,934	61,403	<b>70,127</b>
Long-term credit banks	115,022	114,874	117,010	<b>114,843</b>
Trust banks	229,463	229,003	216,219	<b>203,120</b>
Non-Japanese banks	12,846	38,676	64,074	<b>59,370</b>
Credit associations	1,520	4,128	7,252	<b>11,691</b>
Prefectural credit federations of agricultural cooperatives	—	—	3,000	<b>4,442</b>
Life insurance companies	282,933	271,962	273,513	<b>265,107</b>
Non-life insurance companies	51,344	46,200	43,609	<b>40,048</b>
Leasing, finance, and other companies	20,225	53,411	17,653	<b>12,399</b>
Corporate bonds and other	191,630	262,068	317,020	<b>324,595</b>
Straight bonds	185,000	257,000	312,000	<b>322,000</b>
Convertible bonds	—	—	—	—
Commercial paper (CP)	6,630	5,068	5,020	<b>2,595</b>

Since 1996, the Company has issued corporate bonds and commercial paper to diversify its fund procurement sources. At March 31, 2003, corporate bonds and CP as a percentage of total fund procurement was 28.1%.

## Subsidiaries and Affiliate

	2000/3	2001/3	2002/3	2003/3
Consolidated subsidiaries	7	9	11	<b>10</b>
Affiliate accounted for under the equity method	—	1	1	<b>1</b>

For more information about consolidated subsidiaries, please refer to page 54.

[Reference]

The year ended March 31, 2001

April 2000  
May 2000  
December 2000  
January 2001

Acquired Shinkou Co., Ltd.  
Acquired Rich Co., Ltd.  
Liquidated PAL Research Center Co., Ltd.  
Made TOWA Co., Ltd., a wholly owned subsidiary

The year ended March 31, 2002

December 2001  
March 2002

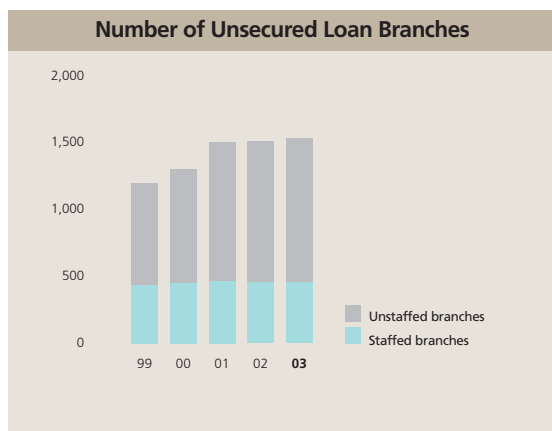
Acquired Sun Life Co., Ltd.  
Included System Trinity Co., Ltd., in consolidation  
Established Plat Corporation through the merger of Rich, Shinkou, and TOWA.  
Acquired MITSUWAKAI Co., Ltd., by GC Co., Ltd.

The year ended March 31, 2003

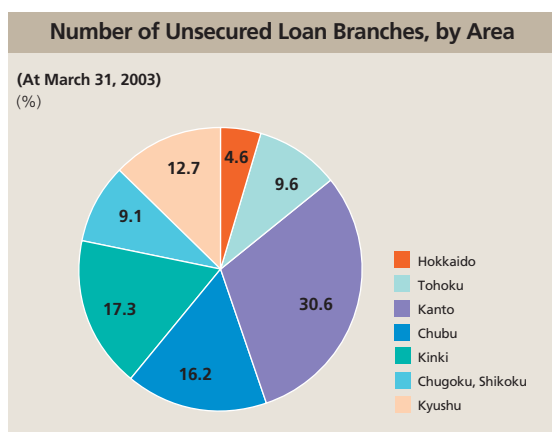
April 2002

# Data Section (Non-Consolidated Basis)

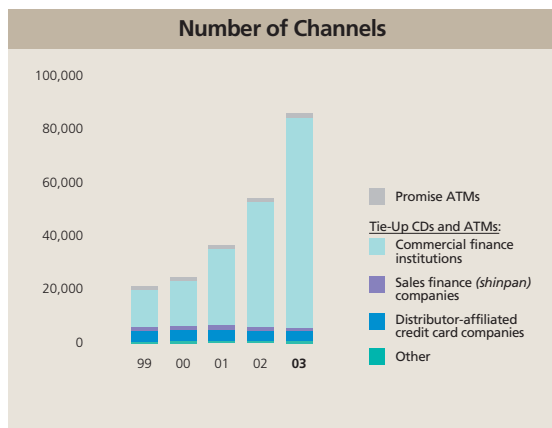
## Business Indicators



	1999/3	2000/3	2001/3	2002/3	2003/3
Number of branches	1,207	1,299	1,507	1,510	<b>1,541</b>
Unsecured loan branches	1,201	1,299	1,507	1,510	<b>1,541</b>
Staffed branches	435	451	466	457	<b>455</b>
Unstaffed branches	766	848	1,041	1,053	<b>1,086</b>
Secured loan branches	2	—	—	—	—
Outdoor and leisure goods	4	—	—	—	—
Number of automated contract machines	1,164	1,258	1,458	1,462	<b>1,493</b>

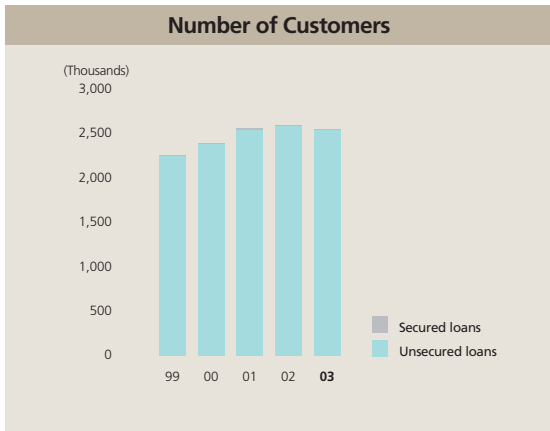


	1999/3	2000/3	2001/3	2002/3	2003/3
Number of unsecured loan branches	1,201	1,299	1,507	1,510	<b>1,541</b>
Hokkaido	58	63	67	69	<b>71</b>
Tohoku	131	132	148	148	<b>148</b>
Kanto	365	399	463	459	<b>471</b>
Chubu	191	200	259	243	<b>249</b>
Kinki	213	238	249	263	<b>267</b>
Chugoku, Shikoku	102	117	140	140	<b>140</b>
Kyushu	141	150	181	188	<b>195</b>



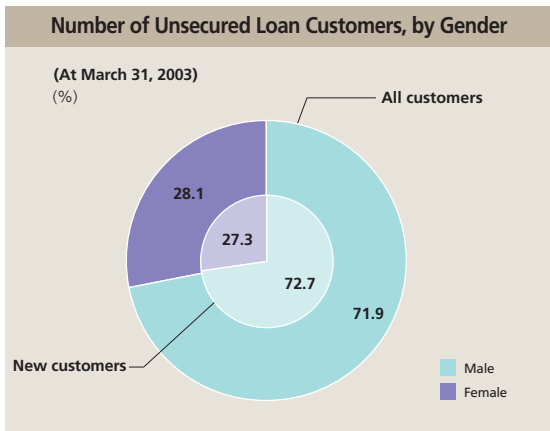
	1999/3	2000/3	2001/3	2002/3	2003/3
Number of channels	21,475	24,843	36,865	54,491	<b>86,326</b>
Promise ATMs	1,511	1,590	1,777	1,808	<b>1,839</b>
Tie-up CDs and ATMs	19,964	23,253	35,088	52,683	<b>84,487</b>
Commercial finance institutions	13,830	16,715	28,507	46,545	<b>78,701</b>
Sales finance (shinpan) companies	1,844	1,729	1,632	1,581	<b>1,321</b>
Distributor-affiliated credit card companies	3,769	4,048	4,207	3,875	<b>3,693</b>
Other	521	761	742	682	<b>772</b>
Intermediaries					
Convenience stores*	5,280	5,532	5,798	14,069	<b>14,300</b>

\* Started tie-ups with FamilyMart Co., Ltd., on September 21, 1998; with Lawson, Inc., on August 27, 2001; and with Three F Co., Ltd., on March 4, 2002.



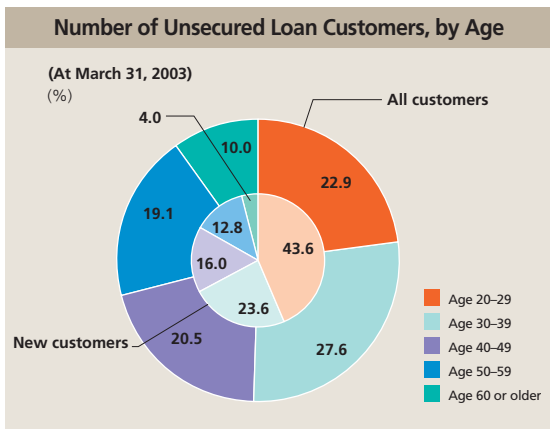
(Thousands)

	1999/3	2000/3	2001/3	2002/3	2003/3
Number of customers	2,242	2,384	2,544	2,583	<b>2,538</b>
Year-on-year growth (%)	5.0	6.3	6.7	1.5	<b>-1.7</b>
Unsecured loans	2,240	2,381	2,541	2,581	<b>2,536</b>
Secured loans	2	2	2	2	<b>2</b>



(Thousands)

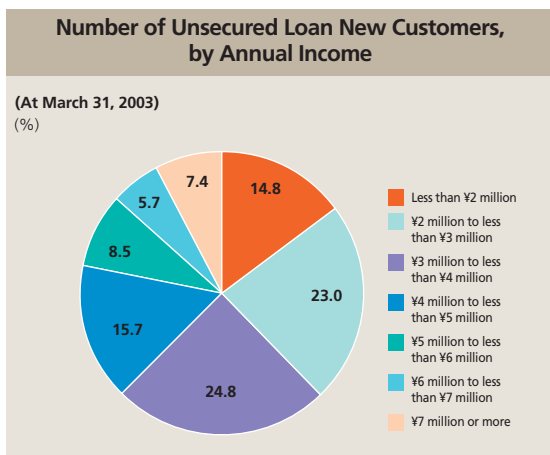
	1999/3	2000/3	2001/3	2002/3	2003/3
All customers	2,240	2,381	2,541	2,581	<b>2,536</b>
Male	1,611	1,712	1,823	1,850	<b>1,824</b>
Female	629	669	718	730	<b>712</b>
New customers	395	430	473	410	<b>339</b>
Male	289	311	336	295	<b>246</b>
Female	105	119	136	115	<b>92</b>



(Thousands)

	1999/3	2000/3	2001/3	2002/3	2003/3
All customers	2,240	2,381	2,541	2,581	<b>2,536</b>
Age 20-29	592	619	642	624	<b>581</b>
Age 30-39	577	622	673	695	<b>699</b>
Age 40-49	509	518	535	533	<b>519</b>
Age 50-59	381	424	468	485	<b>484</b>
Age 60 or older	178	196	221	242	<b>252</b>
New customers	395	430	473	410	<b>339</b>
Age 20-29	185	195	202	176	<b>147</b>
Age 30-39	89	95	104	92	<b>80</b>
Age 40-49	69	73	81	67	<b>54</b>
Age 50-59	41	52	65	56	<b>43</b>
Age 60 or older	9	14	20	17	<b>13</b>





(Thousands)

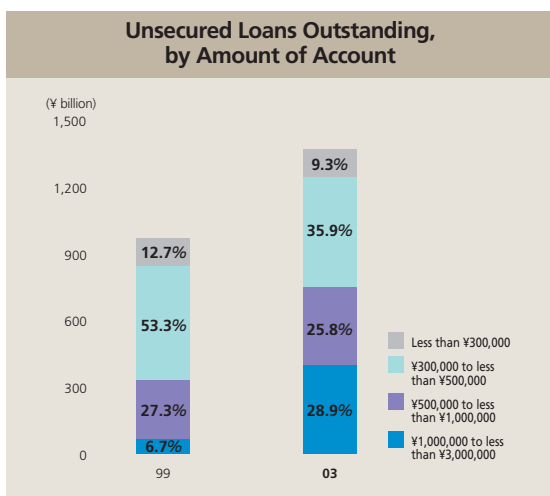
	1999/3	2000/3	2001/3	2002/3	2003/3
New customers	395	430	473	410	<b>339</b>
Less than ¥2 million	42	50	60	57	<b>50</b>
¥2 million to less than ¥3 million	84	94	104	92	<b>78</b>
¥3 million to less than ¥4 million	99	107	115	100	<b>84</b>
¥4 million to less than ¥5 million	69	73	78	65	<b>53</b>
¥5 million to less than ¥6 million	38	40	44	36	<b>28</b>
¥6 million to less than ¥7 million	26	27	29	24	<b>19</b>
¥7 million or more	34	36	39	32	<b>24</b>

Customers with annual incomes of up to ¥7 million accounted for slightly more than 90% of all new customers. Of the 45.1 million private-sector wage earners in Japan, approximately 38.0 million fall into this income range (National Tax Administration Agency data, 2001), indicating substantial latent demand.



(¥ million)

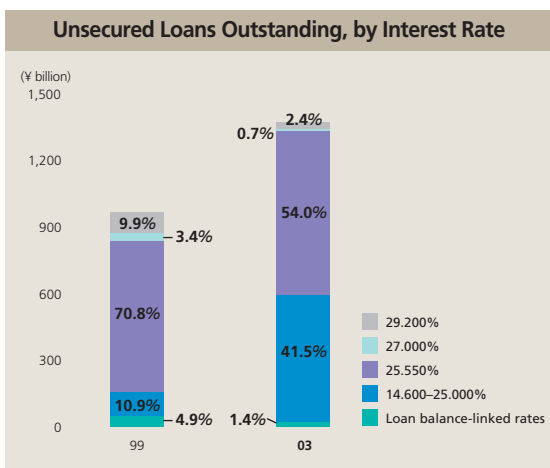
	1999/3	2000/3	2001/3	2002/3	2003/3
Consumer loans outstanding	976,613	1,100,546	1,228,026	1,324,663	<b>1,375,693</b>
Year-on-year growth (%)	12.7	12.7	11.6	7.9	<b>3.9</b>
Unsecured loans	967,880	1,093,725	1,220,447	1,317,203	<b>1,369,570</b>
Year-on-year growth (%)	12.8	13.0	11.6	7.9	<b>4.0</b>
Secured loans	8,733	6,820	7,578	7,460	<b>6,122</b>
Year-on-year growth (%)	3.9	-21.9	11.1	-1.6	<b>-17.9</b>



(¥ million)

	1999/3	2000/3	2001/3	2002/3	2003/3
Unsecured loans outstanding	967,880	1,093,725	1,220,447	1,317,203	<b>1,369,570</b>
Less than ¥300,000	122,882	132,653	136,012	129,644	<b>127,998</b>
¥300,000 to less than ¥500,000	515,802	523,353	534,997	526,743	<b>491,887</b>
¥500,000 to less than ¥1,000,000	264,592	286,740	335,458	387,484	<b>353,592</b>
¥1,000,000 to less than ¥3,000,000	64,601	150,977	213,978	273,330	<b>396,092</b>

The percentage of accounts with outstanding balances greater than ¥1,000,000 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.

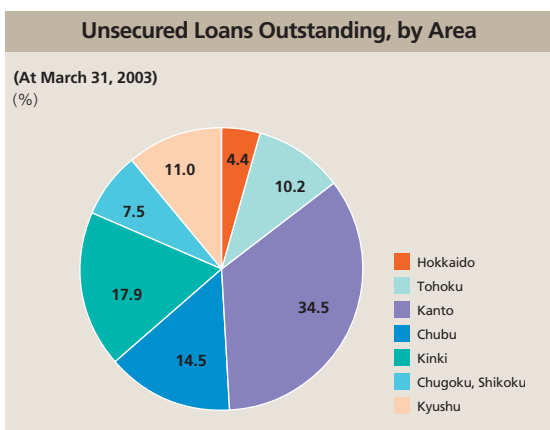


(¥ million)

	1999/3	2000/3	2001/3	2002/3	2003/3
Unsecured loans outstanding	967,880	1,093,725	1,220,447	1,317,203	<b>1,369,570</b>
Flat rates					
*29.200%	96,302	72,475	55,745	43,126	<b>32,934</b>
*27.000%	32,963	23,628	17,093	12,679	<b>9,240</b>
25.550%	685,357	758,304	807,886	803,079	<b>739,727</b>
25.000%	3,296	2,676	21,246	46,439	<b>51,158</b>
24.500%	—	—	14,006	40,078	<b>61,313</b>
23.900%	12,708	29,324	39,406	51,830	<b>70,626</b>
23.500%	—	—	6,455	18,121	<b>35,407</b>
22.995%	67,662	115,310	137,179	156,558	<b>171,073</b>
14.600-22.500%	21,496	51,055	88,091	118,435	<b>177,936</b>
Loan balance-linked rates					
*23.200-29.200%	18,163	14,023	10,715	8,530	<b>6,523</b>
*23.725-25.550%	15,107	13,880	11,804	9,629	<b>7,075</b>
*22.675-25.550%	14,008	11,847	9,849	7,934	<b>5,918</b>
Other	813	1,200	968	760	<b>634</b>

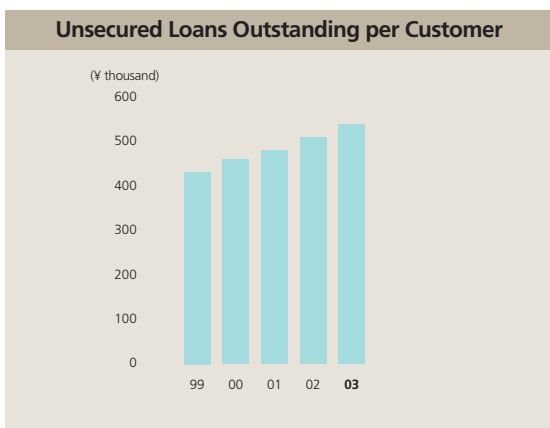
Notes: 1) \* refers to discontinued products.

2) Loan balance-linked rates are applied to unsecured loans according to the amount of the loan outstanding.



(¥ million)

	1999/3	2000/3	2001/3	2002/3	2003/3
Unsecured loans outstanding	967,880	1,093,725	1,220,447	1,317,203	<b>1,369,570</b>
Hokkaido	49,382	53,072	56,157	58,823	<b>60,220</b>
Tohoku	102,239	115,759	129,422	136,177	<b>140,225</b>
Kanto	304,699	347,844	396,192	442,074	<b>472,986</b>
Chubu	137,275	156,795	173,218	188,281	<b>198,086</b>
Kinki	178,294	204,026	228,954	242,275	<b>244,682</b>
Chugoku, Shikoku	73,275	82,930	93,377	100,812	<b>103,125</b>
Kyushu	122,713	133,297	143,125	148,757	<b>150,243</b>

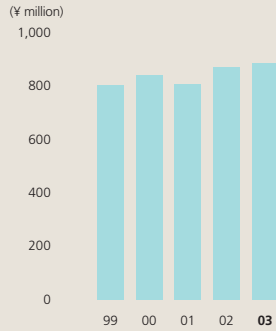


(¥ thousand)

	1999/3	2000/3	2001/3	2002/3	2003/3
Unsecured loans outstanding per customer	432	459	480	510	<b>539</b>

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

### Unsecured Loans Outstanding per Branch

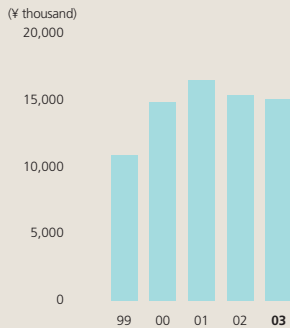


(¥ million)

	1999/3	2000/3	2001/3	2002/3	2003/3
Unsecured loans outstanding per branch	805	841	809	872	<b>888</b>

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

### Net Income per Employee



	1999/3	2000/3	2001/3	2002/3	2003/3
Number of employees	3,692	3,847	3,844	3,979	<b>4,075</b>
Male	2,118	2,205	2,198	2,249	<b>2,322</b>
Female	1,574	1,642	1,646	1,730	<b>1,753</b>
Loans outstanding per employee (¥ million)	264	286	319	332	<b>337</b>
Net income per employee (¥ thousand)	10,881	14,878	16,524	15,393	<b>15,070</b>

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

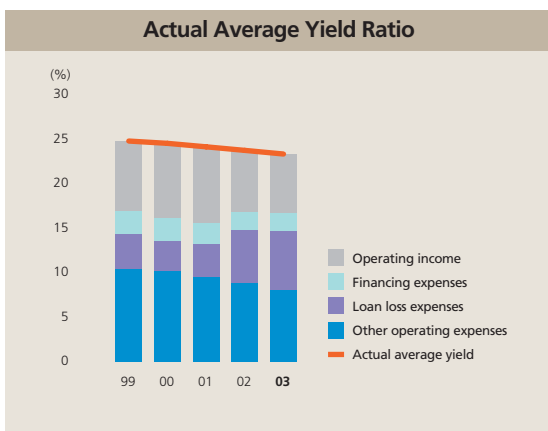
At March 31, 2003, the average age of employees was 33.1 years (36.9 for males and 28.1 for females), while the average period of continuous service was 9.0 years (12.1 for males and 5.0 for females).

### Actual Average Yield of Unsecured Loans

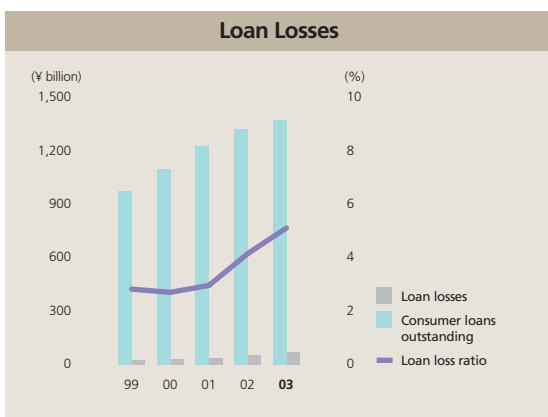


(%)

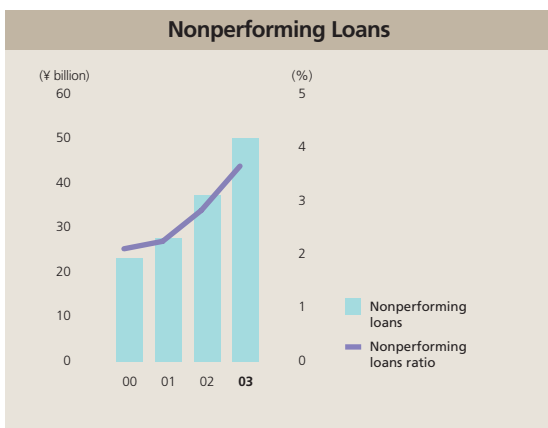
	1999/3	2000/3	2001/3	2002/3	2003/3
Actual average yield of unsecured loans	24.97	24.63	24.24	23.83	<b>23.41</b>



	1999/3	2000/3	2001/3	2002/3	2003/3
Actual average yield of unsecured loans	24.83	24.57	24.18	23.78	<b>23.37</b>
Operating expenses	16.88	16.09	15.61	16.88	<b>16.69</b>
Financing expenses	2.59	2.51	2.39	2.09	<b>2.05</b>
Loan loss expenses	3.86	3.35	3.75	5.94	<b>6.57</b>
Other operating expenses	10.43	10.23	9.47	8.85	<b>8.07</b>
Operating income	7.94	8.47	8.57	6.89	<b>6.67</b>



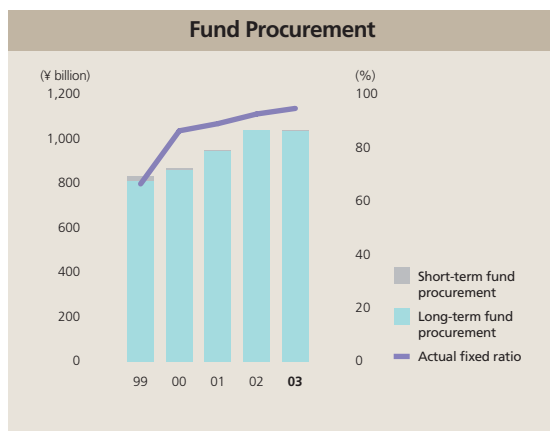
	1999/3	2000/3	2001/3	2002/3	2003/3
Consumer loans outstanding	976,613	1,100,546	1,228,026	1,324,663	<b>1,375,693</b>
Loan losses	27,644	29,815	36,437	55,126	<b>70,462</b>
Unsecured loans	27,231	29,801	36,390	54,948	<b>69,984</b>
Secured loans	413	13	47	178	<b>478</b>
Loan loss ratio (%)	2.83	2.71	2.97	4.16	<b>5.12</b>
Expenses for loan losses	35,874	34,866	43,827	76,627	<b>89,463</b>
Provision for loan losses	35,234	34,866	43,827	67,726	<b>86,815</b>
Additional expense for loan losses	640	—	—	8,900	<b>2,647</b>
Collection of written-off loans	4,282	6,299	7,173	6,419	<b>5,376</b>



	2000/3	2001/3	2002/3	2003/3
Consumer loans outstanding	1,100,546	1,228,026	1,324,663	<b>1,375,693</b>
Nonperforming loans	23,245	27,689	37,441	<b>50,296</b>
Nonperforming loans ratio (%)	2.11	2.25	2.83	<b>3.66</b>
Credits of bankrupt borrowers	—	—	1,195	<b>2,579</b>
Delinquent loans	—	—	151	<b>127</b>
Delinquent loans past due three months or more	5,054	6,085	7,610	<b>10,583</b>
Restructured loans	18,190	21,603	28,485	<b>37,006</b>

Note: The Company has disclosed the nonperforming loans in the above four categories from the year ended March 31, 2000.

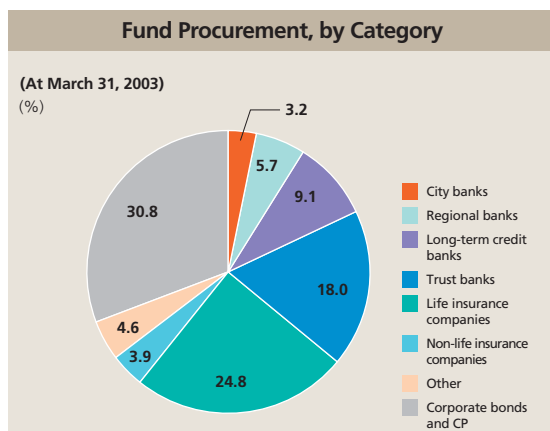
## Fund Procurement



	(¥ million)				
	1999/3	2000/3	2001/3	2002/3	2003/3
Total fund procurement (interest-bearing debt)	834,048	869,676	952,354	1,042,619	<b>1,039,912</b>
Short-term fund procurement	22,800	6,400	4,900	1,300	<b>1,000</b>
Ratio of short-term fund procurement (%)	2.7	0.7	0.5	0.1	<b>0.1</b>
Short-term borrowings	22,800	6,400	4,900	1,300	<b>1,000</b>
Commercial paper (CP)	—	—	—	—	—
Long-term fund procurement	811,248	863,276	947,454	1,041,319	<b>1,038,912</b>
Ratio of long-term fund procurement (%)	97.3	99.3	99.5	99.9	<b>99.9</b>
Long-term borrowings	742,317	678,276	692,454	731,318	<b>718,912</b>
Fixed interest rate	474,206	436,504	454,462	520,303	<b>533,903</b>
Variable interest rate	268,111	241,772	237,992	211,015	<b>185,008</b>
Of which, interest rate swaps and caps	12,840	141,720	160,600	158,000	<b>154,000</b>
Straight bonds	60,000	185,000	255,000	310,000	<b>320,000</b>
Of which, floating rate notes	—	10,000	20,000	20,000	<b>20,000</b>
Convertible bonds	8,930	—	—	—	—
Actual fixed ratio (%)	66.7	86.6	89.3	92.9	<b>95.0</b>
Average interest rate on fund procurement	2.56	2.40	2.24	1.94	<b>1.90</b>

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

The Company procures long-term borrowings at fixed interest rates, taking into account market interest rates. At March 31, 2003, the Company's actual fixed ratio stood at 95.0%, including corporate bonds.



	(¥ million)				
	1999/3	2000/3	2001/3	2002/3	2003/3
Total fund procurement (interest-bearing debt)	834,048	869,676	952,354	1,042,619	<b>1,039,912</b>
Total borrowings	765,117	684,676	697,354	732,618	<b>719,912</b>
City banks	20,447	15,460	18,719	28,362	<b>33,409</b>
Regional banks	45,274	33,104	34,575	50,909	<b>58,775</b>
Long-term credit banks	108,224	105,204	105,204	106,832	<b>94,665</b>
Trust banks	210,907	214,783	209,308	198,093	<b>187,141</b>
Non-Japanese banks	29,000	2,260	23,940	22,200	<b>24,000</b>
Credit associations	2,000	1,520	2,620	5,500	<b>9,125</b>
Prefectural credit federations of agricultural cooperatives	—	—	—	3,000	<b>4,442</b>
Life insurance companies	287,588	263,327	256,390	263,553	<b>258,326</b>
Non-life insurance companies	58,477	46,678	43,578	43,233	<b>40,408</b>
Leasing, finance, and other companies	3,200	2,340	3,020	10,936	<b>9,980</b>
Corporate bonds and other	68,930	185,000	255,000	310,000	<b>320,000</b>
Straight bonds	60,000	185,000	255,000	310,000	<b>320,000</b>
Convertible bonds	8,930	—	—	—	—
Commercial paper (CP)	—	—	—	—	—

Since 1996, the Company has issued corporate bonds and commercial paper to diversify its fund procurement sources. At March 31, 2003, corporate bonds and CP as a percentage of total fund procurement was 30.8%.

■ **Bond Issues** (As of March 31, 2003)

Type	Date Issued	Face Amount (¥ million)	Maturity Date	Coupon Rate (%)	Rating	Purpose
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	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	Mar. 22, 2000	10,000	Mar. 22, 2005	Floating rate note (Six-month yen LIBOR+0.5%)	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	Apr. 26, 2000	10,000	Apr. 25, 2008	2.27	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	May 31, 2000	10,000	June 1, 2012	2.90	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	June 14, 2000	20,000	June 14, 2007	2.04	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	Oct. 6, 2000	10,000	Oct. 6, 2005	2.08	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	Nov. 21, 2000	10,000	Nov. 21, 2005	Floating rate note (Six-month yen LIBOR+0.75%)	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	Feb. 1, 2001	10,000	Feb. 1, 2005	1.75	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	Apr. 25, 2001	10,000	Apr. 25, 2006	1.70	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	June 13, 2001	10,000	June 13, 2008	1.74	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	Aug. 10, 2001	15,000	Aug. 10, 2006	1.20	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	Sept. 26, 2001	10,000	Sept. 26, 2008	1.63	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	Oct. 23, 2001	20,000	Oct. 23, 2007	1.40	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	Dec. 11, 2001	20,000	Dec. 9, 2005	0.92	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	May 29, 2002	10,000	May 29, 2007	1.47	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	June 24, 2002	10,000	June 24, 2009	2.05	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	July 31, 2002	10,000	July 30, 2010	2.29	AA- (JCR) A (R&I)	Consumer loans funding
Straight bonds	Dec. 4, 2002	10,000	Dec. 4, 2006	1.00	A+ (JCR) A (R&I)	Consumer loans funding

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

[Ratings of Promise] (As of March 31, 2003)

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

## Industry Data

### New Consumer Credit, by Type of Lender

(¥100 million / %)

	1997/12	YOY	1998/12	YOY	1999/12	YOY	2000/12	YOY	2001/12	YOY
Consumer credit	765,205	1.2	760,811	-0.6	731,252	-3.9	735,868	0.6	<b>740,963</b>	<b>0.7</b>
Sales on credit	330,416	2.6	330,469	0.0	332,667	0.7	346,490	4.2	<b>355,015</b>	<b>2.5</b>
Consumer finance	434,789	0.1	430,342	-1.0	398,585	-7.4	389,378	-2.3	<b>385,948</b>	<b>-0.9</b>
Of which, consumer loans	230,077	4.3	232,100	0.9	228,669	-1.5	236,050	3.2	<b>246,716</b>	<b>4.5</b>
Commercial finance institutions	55,521	-5.2	49,343	-11.1	39,788	-19.4	41,126	3.4	<b>39,858</b>	<b>-3.1</b>
Consumer finance companies (including Promise)	83,550	10.1	91,404	9.4	94,966	3.9	99,811	5.1	<b>106,327</b>	<b>6.5</b>
Sales finance ( <i>shinpan</i> ) companies	39,553	2.0	37,285	-5.7	38,733	3.9	39,768	2.7	<b>42,444</b>	<b>6.7</b>
Bank-affiliated credit card companies	29,925	6.3	31,294	4.6	31,614	1.0	31,526	-0.3	<b>32,456</b>	<b>2.9</b>
Distributor-affiliated credit card companies	11,763	20.4	12,849	9.2	13,609	5.9	13,823	1.6	<b>15,820</b>	<b>14.4</b>
Others	9,765	4.0	9,925	1.6	9,959	0.3	9,996	0.4	<b>9,811</b>	<b>-1.9</b>

Note: "YOY" stands for year-on-year percentage increase or decrease.

Source: Japan Credit Industry Association, *Japan Credit Industry Statistics 2003*

### Consumer Credit Outstanding, by Type of Lender

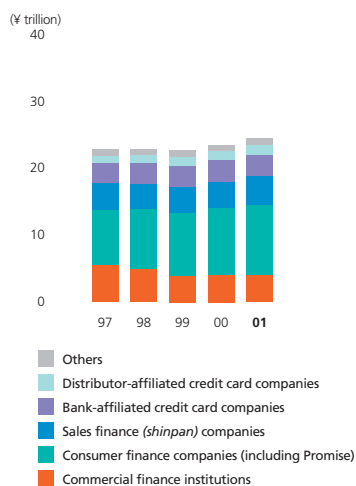
(¥100 million / %)

	1997/12	YOY	1998/12	YOY	1999/12	YOY	2000/12	YOY	2001/12	YOY
Consumer credit	743,335	-1.2	709,823	-4.5	668,243	-5.9	652,247	-2.4	<b>635,927</b>	<b>-2.5</b>
Sales on credit	182,621	-0.1	171,535	-6.1	163,518	-4.7	159,639	-2.4	<b>153,683</b>	<b>-3.7</b>
Consumer finance	560,714	-1.5	538,288	-4.0	504,725	-6.2	492,608	-8.5	<b>482,244</b>	<b>-2.1</b>
Of which, consumer loans	372,867	-0.3	355,959	-4.5	351,211	-1.3	356,620	1.5	<b>358,517</b>	<b>0.5</b>
Commercial finance institutions	251,897	-4.0	231,478	-8.1	217,957	-5.8	210,091	-3.6	<b>199,793</b>	<b>-4.9</b>
Consumer finance companies (including Promise)	65,179	9.3	71,371	9.5	78,586	10.1	88,489	12.6	<b>96,918</b>	<b>9.5</b>
Sales finance ( <i>shinpan</i> ) companies	37,278	6.6	33,387	-10.4	33,995	1.8	36,317	6.8	<b>38,350</b>	<b>5.6</b>
Bank-affiliated credit card companies	7,477	8.2	7,848	5.0	8,335	6.2	8,730	4.7	<b>9,103</b>	<b>4.3</b>
Distributor-affiliated credit card companies	6,173	14.0	6,953	12.6	7,433	6.9	8,342	12.2	<b>9,199</b>	<b>10.3</b>
Others	4,863	5.6	4,922	1.2	4,905	-0.3	4,651	-5.2	<b>5,154</b>	<b>10.8</b>

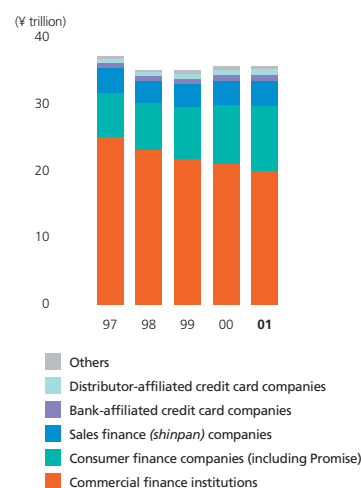
Note: "YOY" stands for year-on-year percentage increase or decrease.

Source: Japan Credit Industry Association, *Japan Credit Industry Statistics 2003*

### New Consumer Credit, by Type of Lender



### Consumer Credit Outstanding, by Type of Lender



# Management's Discussion and Analysis

## Overview

During the fiscal year ended March 31, 2003, there were some signs of improvement in the Japanese economy, but employment conditions remained difficult as evidenced by continuing high rates of unemployment. Similarly, the Nikkei Stock Average fell to its lowest level since the end of Japan's bubble economy, and uncertainty surrounded the future course of the world economy. These and other factors led to an increasingly severe operating environment. On the other hand, certain developments suggested major upcoming changes in conventional customer transactions. These included the rapid movement toward a ubiquitous IT environment, including expanding availability of Internet broadband and wireless access services and the commencement of trials of IC card based electronic money by convenience stores and railway companies.

In the consumer finance industry, trends included concern regarding a faster-than-anticipated rise in nonperforming loans along with the rise in the number of personal bankruptcies, the deterioration in the employment environment, and stagnation in personal incomes. In tandem with these developments, competition in the retail finance industry became increasingly intense, as new entrants from other industries and types of businesses sought to gain market share.

Promise and its consolidated subsidiaries concentrated their attention on further strengthening its management position to be able to respond flexibly to major ongoing changes in the business environment. This included promoting the pooling and joint use of the Group's management resources. As a consequence, total operating income expanded 4.1% over the previous fiscal year, to ¥410.6 billion. Operating profit, however, decreased 6.6%, to ¥107.0 billion, and net income amounted to ¥60.7 billion, down 3.5% from the previous fiscal year.

## Results of Operations

Consolidated total operating income during the fiscal year under review increased 4.1%, or ¥16.1 billion, to ¥410.6 billion. This expansion in income was due to an increase in interest on consumer loans of 5.1%, or ¥18.4 billion, to ¥381.1 billion, which accompanied a 4.6% rise in consumer loans receivable, to ¥1,614.5 billion at fiscal year-end. The increase in consumer loans receivable was primarily a result of a 3.9% increase in consumer loans outstanding at the parent company, Promise Co., Ltd., and a 17.6% gain in loans outstanding from Plat Corporation, a wholly owned subsidiary. Another factor contributing to performance

was the rise in interest on consumer loans accompanying the consolidation of consumer finance subsidiary Sun Life Co., Ltd. Sun Life was first consolidated in the fourth quarter of the fiscal year ended March 31, 2002, and thus made its first full year of contribution to overall performance during the year under review. The average contractual interest rate for the Promise Group during the fiscal year was 24.91%. This was 0.44 percentage point lower than in the previous fiscal year, owing to the increase in the number of loans within the category of consumer loans receivable (99.5% of which are unsecured) to preferred customers who are eligible for lower rates.

Other operating income, which consists primarily of collected amounts of loans previously written off and related interest, increased 0.9%, or ¥170 million, to ¥19.6 billion. Sales were down 19.7%, or ¥2.4 billion, to ¥9.9 billion, because of a drop in automobiles sales of an overseas subsidiary. The portion of consolidated total operating income accounted for by financing activities rose 0.8 percentage point, to 96.4%.

Consolidated total operating expenses rose 8.5%, or ¥23.7 billion, to ¥303.7 billion. The rate of increase in these expenses exceeded the rate of growth in total operating income. The principal factor accounting for higher expenses was the increase in credit losses, including provision for uncollectible loans, which rose 28.7%, or ¥27.8 billion from the previous year. Personnel costs—which also include employees' salaries and bonuses, welfare expenses, retirement benefits, and other related expenses—increased 7.3%, to ¥3.3 billion. To counteract these increases, the Promise Group reduced its advertising expenses, and the parent company, in particular, reviewed its costs to lower expenses wherever possible. Please note that one-time costs associated with the merger to form consolidated subsidiary Plat comprised ¥2.2 billion in advertising expenses and ¥0.9 billion for other related costs. As a result of the larger increase in expenses than in income, operating profit declined 6.6%, to ¥107.0 billion. The ratio of operating profit to total operating income was down 3.0 percentage points for the fiscal year, to 26.0%, compared with 29.0% in the previous fiscal year.

Financial expenses, which are largely accounted for by interest expense, dropped 0.3%, or ¥66 million, to ¥24.8 billion. This was due to a slight decline in the average interest rate on interest-bearing debt, which also offset the effect of a slightly higher average balance of funds raised.





The average interest rate paid on long-term debt (including long-term debt due within one year), which represents 97.7% of the Company's total borrowings including bonds, was 2.0%, a decline of 0.1 percentage point from 2.1% in the previous fiscal year. This decline was due to a fall in market rates, including the long-term prime rate. As of March 31, 2003, debt with fixed interest rates accounted for 90.5% of interest-bearing debt, compared with 88.7% at the end of the previous fiscal year. Considering current market interest rates in Japan, increasing the percentage of fixed rate borrowings will reduce the future interest burden as market rates rise.

Total other expenses, net, on a consolidated basis showed an improvement from minus ¥2.2 billion in the previous fiscal year to minus ¥1.2 billion in the fiscal year under review. This was mainly because MOBIT, a joint venture with UFJ Bank Limited and one other company accounted for by the equity method (with 45% ownership by Promise), posted its first full year of net income since its establishment. This led to a reduction in equity in net loss of affiliated companies from ¥3.2 billion in the previous fiscal year to ¥37 million for the year under review. In addition, the net gains on sales of investment in securities of ¥1.8 billion reported in the previous fiscal year declined to a net loss of ¥5 million. As a result, income before income taxes declined 5.8%, to ¥105.8 billion. Reflecting recognition during the fiscal year under review of losses associated with the reserve for possible loan losses and other items that had contributed to the Company's tax burden in the previous fiscal year, the legal effective tax rates for computing deferred tax assets and deferred tax liabilities declined to 42.6% for the fiscal year under review compared with 44.0% for the previous fiscal year. As a consequence, net income amounted to ¥60.7 billion, a decline of 3.5% from the previous fiscal year.

The ratio of net income to total operating income edged downward 1.2 percentage points, to 14.8%, compared with 16.0% in the previous fiscal year. Return on equity (ROE) declined 1.3 percentage points, to 10.2%, versus 11.5% for the previous fiscal year. Net income per share amounted to ¥483.62, representing a decrease of ¥21.16 per share.

### Financial Condition

Total assets of the Promise Group rose 1.2%, or ¥21.6 billion, from the previous fiscal year-end, to ¥1,855.4 billion. The principal factor accounting for this increase was the increase in consumer loans receivable of 4.6%, or ¥71.2 billion, to ¥1,614.5 billion. On the other hand, the

Company made substantial additions to its allowance for credit losses to ensure the soundness of its asset portfolio. At fiscal year-end, the allowance stood at ¥114.6 billion, representing an increase of 32.2%, or ¥27.9 billion from the end of the previous fiscal year.

Cash and cash equivalents were down 15.0%, or ¥18.6 billion, to ¥105.8 billion. This decline was due to the Company's decision to fund the increase in consumer loans receivable from available cash and minimize additional fund raising. The reasons for this decision included the Company's policy of actively seeking commitment lines for financing from financial institutions, which give the Company access to liquidity and allow it to manage its cash resources flexibly and efficiently.

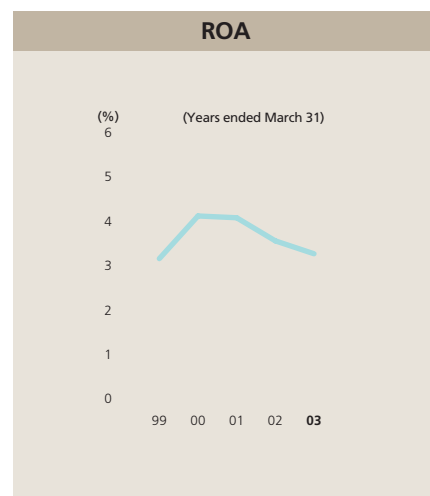
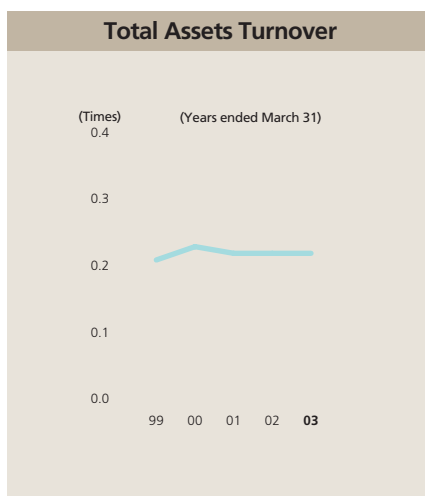
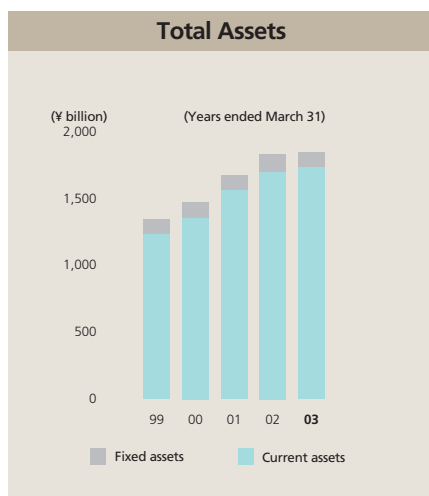
As a result of the above, current assets rose 2.0%, or ¥34.3 billion, to ¥1,737.5 billion. Fixed assets decreased 9.8%, or ¥12.8 billion, to ¥117.8 billion.

On the other hand, total liabilities were down 1.7%, or ¥21.7 billion, to ¥1,237.2 billion. Of this total, interest-bearing liabilities, including long- and short-term debt as well as bonds declined 0.9%, or ¥10.8 billion, to ¥1,154.1 billion, primarily because of reductions in long-term borrowings.

Shareholders' equity rose 7.5%, or ¥43.2 billion, to ¥618.1 billion. This was due principally to the net effect of an increase in retained earnings of ¥48.0 billion and a rise in treasury stock, which is a deductible item, of ¥2.9 billion. As a consequence, the shareholders' equity ratio rose 2.0 percentage points, to 33.3%, versus 31.3% at the end of the previous fiscal year. In addition, the debt-to-equity ratio declined 15.9 percentage points, to 186.7%. As these figures suggest, the Company is continuing to maintain asset liquidity and a sound capital structure.

### Loan Losses

Loan losses for the fiscal year were up 33.6%, or ¥24.3 billion, to ¥96.6 billion. The ratio of these losses to the balance of consumer loans receivable rose 1.3 percentage points, to 6.0%, versus 4.7% at the previous fiscal year-end. This increase was primarily due to the increase in the number of personal bankruptcies. However, despite an overall increase in the number of such bankruptcies of 30.4% during the fiscal year under review, Promise continued its policy of strict credit evaluation and management of its asset portfolio and restrained the increase in credit losses to a minimum.



## Fund-Raising

The Promise Group has three policies to guide its fund-raising activities. These are the “use the bond market flexibly taking due account of financial market conditions”, “give preference to long-term, fixed rate funding”, and “secure liquidity through the use of commitment lines”. During the fiscal year under review, the Company experienced no problems in its fund-raising activities. As of March 31, 2003, the Company’s interest-bearing debt stood at ¥1,154.1 billion, 0.9% lower than at the previous fiscal year-end. Direct capital market funding accounted for 28.1% of this total, 0.9 percentage point higher than the 27.2% figure at the previous fiscal year-end. The ratio of fixed rate funding was 90.5%, or 1.8 percentage points higher than the 88.7% reported at the previous fiscal year-end. The Company increased the upper limit of its commitment lines from ¥145.7 billion to ¥232.1 billion. In addition, the average funding rate declined to 2.01%, versus 2.09% for the previous year. At present, market interest rates in Japan are at the lowest level ever recorded, but even if rates begin to rise, since 90% of the Company’s borrowings are at fixed rates, the impact is expected to be marginal. Especially, among funds raised at floating rates, to avoid the impact of future increases in the interest burden owing to higher market interest rates, the Company has arranged for interest rate caps to place an upper limit on a portion of the funds bearing floating interest rates. Also, the Company arranges for interest rate swaps to fix the cost of a portion of its funds raised at floating rates. As of March 31, 2003, the Promise Group’s total contractual balance of funds with interest rate caps and interest rate swaps was ¥161.4 billion.

## Cash Flows

At the end of the fiscal year under review, cash and cash equivalents (hereinafter, “cash”) amounted to ¥105.8 billion, 15.0%, or ¥18.6 billion lower than at the beginning of the fiscal year. This decline was primarily due to the repayment of borrowings amounting to ¥17.6 billion. Net cash provided by operating activities improved substantially from the previous fiscal year, and the Company restrained the amount of net cash used in investing activities. This policy of restraint was based on a financial policy aimed at securing sufficient liquidity and allowing for flexible and efficient cash management. Accordingly, management believed that the level of cash represents sufficient liquidity for the conduct of the Company’s operations.

Net cash provided by operating activities moved from a net outflow of ¥7.1 billion in the previous fiscal year to a net inflow of ¥9.2 billion for the fiscal year under review, an improvement of ¥16.3 billion. This

improvement in cash flows from operating activities was due mainly to a decline of ¥31.2 billion in cash used to increase consumer loans receivable and an increase in the provision for credit losses of ¥3.7 billion. The positive effect of these two items more than offset the decline of ¥6.5 billion in income before income taxes, to ¥105.8 billion, and the increase in income taxes paid of ¥20.8 billion.

Net cash used in investing activities amounted to a net outflow of ¥818 million, a ¥12.2 billion lower outflow than in the previous year. This was the result of efforts to make more efficient use of resources within the Promise Group and restrain new purchases of property and equipment, which declined from ¥6.6 billion in the previous year to ¥1.9 billion in the fiscal year under review. Another factor accounting for the lower cash used in investing activities was the reduction in payment for purchases of investments in securities from ¥19.2 billion in the prior year to ¥30 million in the year under review. On the other hand, the increase in loans after subtracting recoveries moved from an outflow of ¥520 million in the previous year to an outflow of ¥2.8 billion in the fiscal year under review.

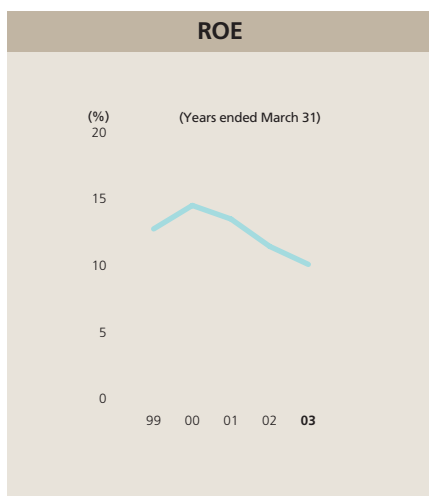
Net cash used in financing activities amounted to a net outflow of ¥26.9 billion as cash inflows from financing activities declined ¥66.8 billion for the previous fiscal year. This was primarily due to a decline of ¥44.8 billion in proceeds from issuance of bonds, an excess of loan repayments over increases in borrowings of ¥17.6 billion, and payment of ¥2.9 billion for the purchase of treasury stock. Cash dividends paid amounted to ¥12.6 billion.

## Capital Expenditures

Capital expenditures during the year under review amounted to ¥1.8 billion, compared with ¥6.6 billion for the previous year, a decline of ¥4.8 billion. The principal expenditures included those for newly establishing or relocating offices and automated contract machines as well as IT investments. The Company financed these expenditures from its own cash. Also, as a result of the merger or closure of certain branches to improve the efficiency of service delivery channels, the number of branches declined to 1,711, compared with 1,785 during the previous fiscal year. Of this total, the number of conventional staffed branches dropped to 570, from 630 in the prior year.

## Dividend Policy

The Company believes that returning a portion of profits to shareholders is an issue of the highest priority. The Company has received a high appraisal from the Tokyo Stock Exchange for its record of dividends



and, as a member of the consumer finance industry, has received a number of awards for its policy. In line with this dividend policy, a cash dividend of ¥100 per share was paid for the fiscal year under review, the same as for the previous fiscal year. As a consequence, the Company's dividend payout ratio rose 0.1 percentage point from the previous fiscal year, to 20.5%, and the ratio of dividends to shareholders' equity declined 0.2 percentage point, to 2.1%.

### Business Outlook

The business environment for the activities of the Promise Group will continue to be challenging, as the employment and income environments remain severe, with the unemployment rate remaining high, at more than 5%. The number of customers who have lost the wherewithal to repay their loans because of unemployment or reductions in income is growing, and there is concern in the consumer finance industry about delayed repayments and loan losses. Moreover, although there have been some signs of improvement in the domestic economy, which triggered a temporary "proclamation" that the economy was bottoming out, uncertainties have risen because of continuing deflationary pressures, the persistence of nonperforming loan issues in the financial sector, the slump in Nikkei Stock Average to new post-bubble lows, and the adverse impact of rising international tensions. All of these developments suggest that conditions will remain severe and that conditions must still be monitored carefully.

Even amid this environment, the Company is placing strong emphasis on the issues of reducing nonperforming loans and retaining its customers to secure a stable flow of earnings and achieve corporate growth.

To this end, the Promise Group is implementing an original business model for the in-depth development of the consumer finance market as a whole by nurturing three brands, namely "Promise," "MOBIT," and "Plat." While emphasizing increasing the soundness of assets, the Promise Group is working to create a new platform for growth and is taking initiatives to enhance the efficiency of Group management and increase profitability through the continued sharing of Group resources and activities to build a more diverse and stabler funding base.

Promise is endeavoring to optimize its service delivery channels and its organization through achieving the best allocation of conventional and automated outlets as well as the expansion of Internet services. As part of these activities, Promise is upgrading its CD and ATM network for joint use and working to create an effective and efficient channel

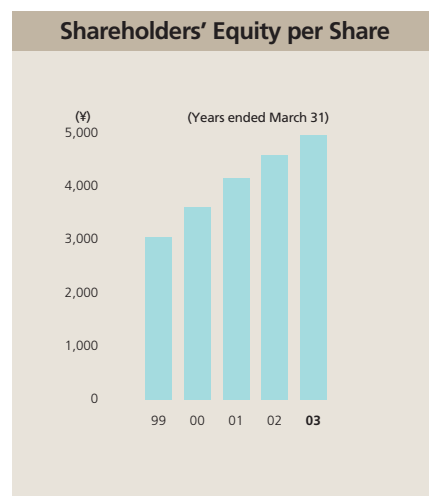
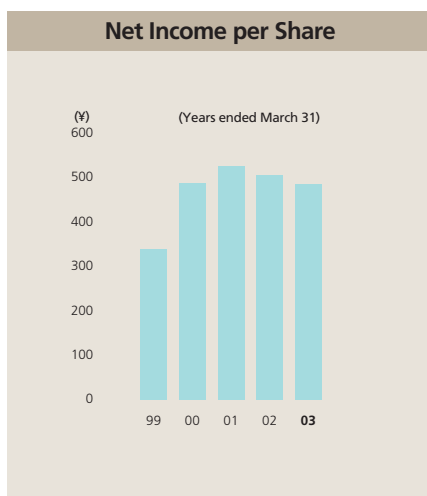
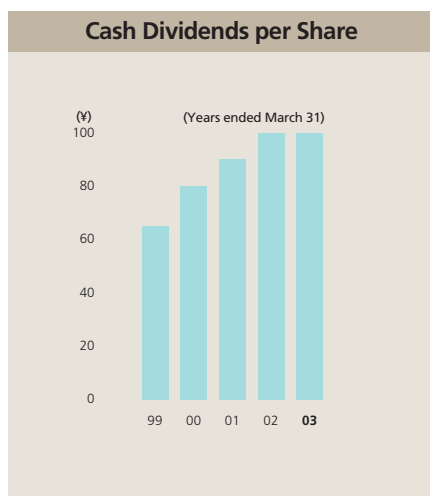
network that will strengthen its interface with customers and make it possible to respond to customer needs "anytime, anywhere, and immediately." In addition, to retain customers, Promise is working to make the transition to "navigation marketing"—which uses a customer information system that lists all of customers' transactions and permits integrated customer relations management—and offer each customer the products and services that are best for them.

In addition to these initiatives, Promise is promoting structural reforms in three areas: namely, its management structure, its business structure, and its personnel/organizational structure. Along with these reforms, Promise is carefully examining its cost structure in all aspects of its operational flow and is working to implement reforms to create a lean and strong corporate structure that will generate a continuing, stable flow of earnings.

Moreover, the Promise Group is continuing its efforts to establish new business models through strategic alliances with different industries and different types of entities that will enable it to offer services to a broader range of customers and in new markets. Along with these activities, the Group is aggressively conducting surveys and research to develop futuristic models for the financial services industry that will make use of advanced technologies, including e-commerce, and work to establish systems that can incorporate IC card and other systems.

Another important development during the year was the entry of Promise into the Japan Keidanren in November 2002. To respond to the expectations of society at large and win strong trust and confidence, the Promise Group is placing priority on strengthening its compliance systems and on establishing risk management systems that can respond immediately to contingencies.

For the fiscal year ending March 31, 2004, the Company is forecasting total operating income of ¥410.5 billion, approximately the same as in the fiscal year under review. Operating profit is expected to decline 12.2%, to ¥93.9 billion, and net income is also forecast to decrease 12.2%, to ¥53.3 billion. These forecasts are judgments prepared by the Promise Group based on information available at the time these estimates were made and are subject to latent risks and uncertainties. Accordingly, if the various factors that are the basis for these forecasts differ from the assumptions made by the Group, actual performance may differ substantially from these forecasts.



# Management

(As of June 25, 2003)

## Directors

<b>Chairman</b>	Masaaki Uchino	———— Chief Executive Officer
<b>President</b>	Hiroki Jinnai	———— Senior Managing Executive Officer
<b>Directors</b>	Shunji Kosugi	———— Senior Managing Executive Officer
	Hideshige Tsukamoto	———— Managing Executive Officer
	Isao Takeuchi	———— Managing Executive Officer
	Teruaki Watanabe	———— Managing Executive Officer
	Tsutomu Kasori	———— Managing Executive Officer

<b>Corporate Auditors</b>	Kazuyuki Furukawa
	Hidetsugu Iriyama
	Hiroaki Mori
	Kazuo Nagasawa

## Corporate Executive Officers

**Chief Executive Officer** Hiroki Jinnai

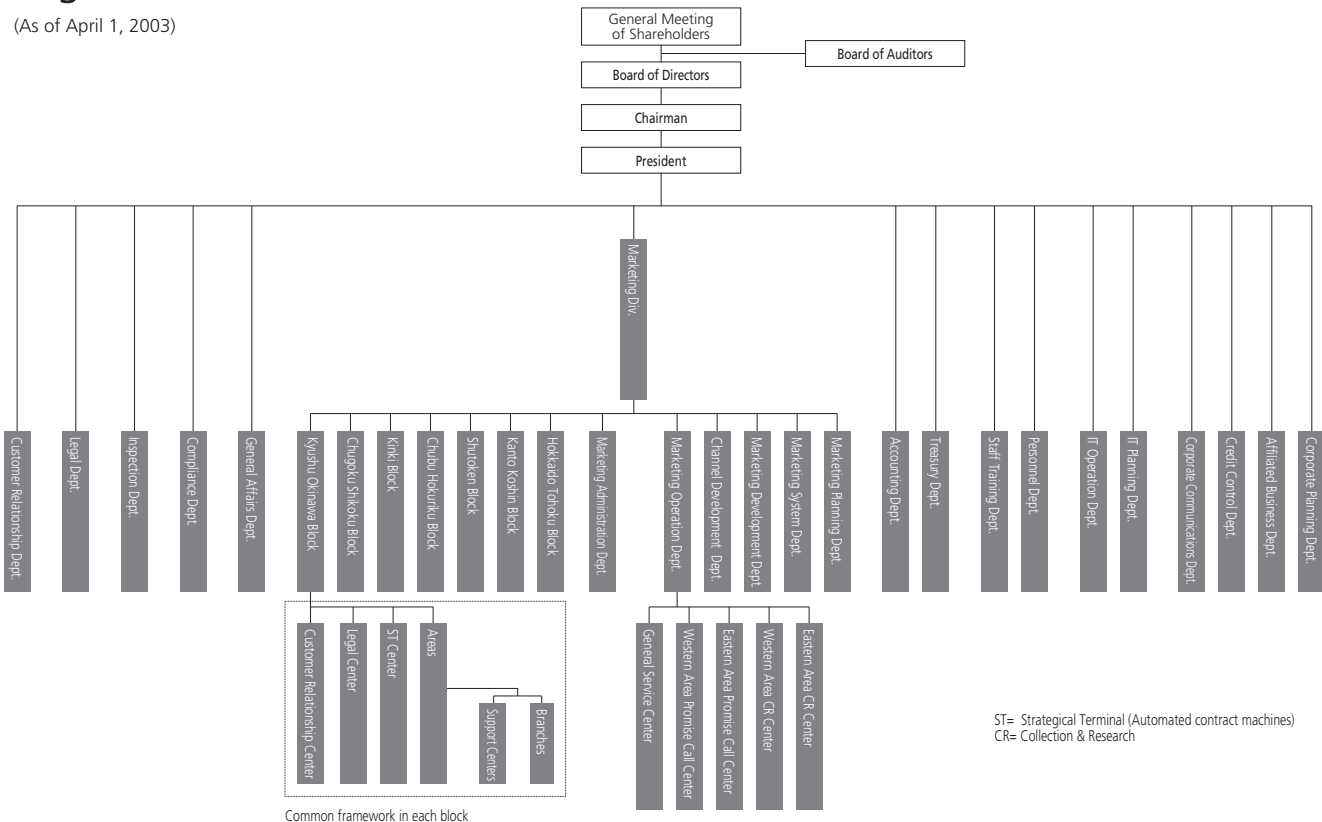
### Senior Managing Executive Officers

<b>Executive Officers</b>	Shunji Kosugi	———— Administration and Industry-Related Activities
	Hideshige Tsukamoto	———— Marketing Div.
<b>Managing Executive Officers</b>	Isao Takeuchi	———— Treasury Dept., Accounting Dept., Compliance Dept.
	Yukio Yoshida	———— General Affairs Dept., Legal Dept.
	Hiroshi Obata	———— IT Planning Dept., IT Operation Dept.
	Teruaki Watanabe	———— Credit Control Dept., Personnel Dept., Staff Training Dept.
	Yasuhiro Ichikawa	———— Marketing Div., Marketing Operation Dept.
	Tsutomu Kasori	———— Corporate Planning Dept., Affiliated Business Dept.

<b>Executive Officers</b>	Nobuo Kato	———— Hokkaido Tohoku Block
	Takeshi Hirai	———— Kinki Block
	Shuichi Suzuki	———— Corporate Planning Dept.
	Masayuki Fujihara	———— Accounting Dept.
	Naohisa Tonami	———— Compliance Dept., Legal Dept.
	Yukihiro Suzuki	———— Kyushu Okinawa Block
	Takashi Houjou	———— IT Planning Dept.
	Tetsu Suzuki	———— Customer Relationship Dept., General Affairs Dept.
	Yoshiyuki Tateishi	———— Corporate Communications Dept.
	Toshio Shinohara	———— Marketing Planning Dept.

# Organization Chart

(As of April 1, 2003)



# Financial Section

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## Six-Year Summary (Consolidated Basis)

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

	Millions of Yen					
	2003	2002	2001	2000	1999	1998
<b>Results of Operations:</b>						
Interest on consumer loans .....	¥ 381,126	¥ 362,760	¥ 327,821	¥ 271,743	¥ 244,570	¥ 224,079
Other operating income .....	19,624	19,449	19,199	15,202	11,513	9,961
Total operating income .....	410,619	394,495	359,641	300,724	271,054	253,086
Financial expenses .....	24,802	24,868	26,714	23,932	23,108	23,752
General and administrative expenses .....	145,509	147,493	138,407	118,073	106,914	95,204
Credit losses including provision for uncollectible loans .....	124,810	96,996	55,990	40,483	40,764	28,751
Total operating expenses .....	303,661	279,977	232,223	194,697	183,700	164,692
Operating profit .....	106,958	114,518	127,418	106,027	87,354	88,394
Income before income taxes .....	105,806	112,308	107,392	103,201	84,561	83,852
Net income .....	60,716	62,941	64,845	58,572	40,632	38,941
<b>Financial Position:</b>						
Consumer loans receivable: Principal .....	¥1,614,524	¥1,543,288	¥1,418,656	¥1,159,253	¥1,025,452	¥ 913,564
Allowance for credit losses .....	115,398	87,213	61,349	44,411	39,112	30,244
Total current assets .....	1,737,506	1,703,180	1,565,165	1,354,961	1,234,842	1,095,008
Total investments and advances .....	65,249	70,304	54,644	48,288	38,897	32,663
Property and equipment, net .....	39,008	45,371	44,354	59,907	61,042	60,131
Fixed leasehold deposits .....	13,590	14,922	15,231	13,166	13,509	13,247
Total assets .....	1,855,353	1,833,777	1,679,394	1,477,849	1,350,496	1,201,075
Short-term borrowings and current portion of long-term debt .....	305,745	265,958	305,114	287,781	316,953	294,515
Total current liabilities .....	366,319	340,165	354,540	339,370	365,035	341,826
Long-term debt .....	848,341	898,915	789,160	682,817	599,635	568,666
Total long-term liabilities .....	870,924	918,746	807,350	700,388	616,849	586,195
Total shareholders' equity .....	618,110	574,866	517,504	438,091	364,315	268,868
<b>Other Financial Data and Indicators:</b>						
Depreciation and amortization .....	8,714	8,611	9,266	9,547	8,523	7,779
Ratio of non-consolidated to consolidated operating income (Times) .....	1.25	1.24	1.22	1.13	1.13	1.14
Ratio of non-consolidated to consolidated net income (Times) .....	0.98	1.02	1.02	1.02	1.01	1.00
Return on equity (ROE) (%) .....	10.17	11.52	13.57	14.59	12.83	15.44
Return on assets (ROA) (%) .....	3.29	3.58	4.10	4.14	3.18	3.44
<b>Amount per Share (Yen):</b>						
Net income, basic .....	¥ 483.62	¥ 504.78	¥ 525.02	¥ 486.92	¥ 346.59	¥ 359.31
Cash dividends .....	100.00	100.00	90.00	80.00	65.00	63.00

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

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

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

Promise Co., Ltd.  
Years ended March 31

	Millions of Yen					
	2003	2002	2001	2000	1999	1998
<b>Results of Operations:</b>						
Interest on consumer loans .....	¥ 318,068	¥ 306,847	¥ 282,664	¥ 256,414	¥ 230,583	¥ 212,314
Other operating income .....	8,488	9,400	10,110	8,585	7,740	8,016
Total operating income .....	326,556	316,247	292,774	264,999	238,323	220,330
Financial expenses .....	21,817	21,179	22,069	21,298	20,882	22,064
General and administrative expenses.....	109,857	114,276	110,700	106,496	96,853	86,529
Credit losses including provision for uncollectible loans .....	89,463	76,627	43,827	34,866	35,874	25,597
Total operating expenses.....	221,137	212,082	176,596	162,660	153,609	134,190
Operating profit .....	105,419	104,165	116,178	102,339	84,714	86,140
Income before income taxes.....	106,005	106,423	101,853	100,303	82,971	82,423
Net income .....	61,412	61,250	63,521	57,238	40,175	38,668
<b>Financial Position:</b>						
Consumer loans receivable: Principal .....	¥1,375,693	¥1,324,663	¥1,228,026	¥1,100,546	¥ 976,614	¥ 866,634
Allowance for credit losses .....	87,000	68,000	46,500	39,110	35,170	27,790
Total current assets .....	1,567,424	1,529,481	1,381,819	1,228,030	1,132,240	1,005,394
Total investments and advances .....	94,422	98,302	77,582	54,522	42,269	35,895
Property and equipment, net.....	26,433	30,305	31,886	58,220	59,496	58,323
Fixed leasehold deposits .....	12,201	12,393	12,632	12,344	12,491	12,273
Total assets .....	1,700,480	1,670,481	1,503,919	1,354,079	1,248,422	1,111,885
Short-term borrowings and current portion of long-term debt .....	245,435	221,217	245,107	231,414	267,924	258,198
Total current liabilities .....	289,908	279,035	279,881	269,247	305,872	295,195
Long-term debt .....	794,477	821,402	707,247	638,262	566,124	534,275
Total long-term liabilities .....	813,308	838,557	722,706	654,575	583,236	551,674
Total shareholders' equity .....	597,264	552,889	501,332	430,257	359,314	265,016
<b>Other Financial Data:</b>						
Credit losses written off .....	70,462	55,126	36,437	29,815	27,644	21,556
Return on equity (ROE) (%) .....	10.67	11.62	13.63	14.50	12.87	15.58
Return on assets (ROA) (%) .....	3.64	3.85	4.44	4.40	3.40	3.68
<b>Amount per Share (Yen):</b>						
Net income, basic.....	¥ 488.87	¥ 491.09	¥ 513.24	¥ 475.84	¥ 342.69	¥ 356.78
Shareholders' equity.....	4,780.81	4,401.48	4,019.80	3,538.37	3,003.91	2,439.95
Payout ratio (%).....	20.46	20.40	17.55	16.91	19.35	16.92

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

# Consolidated Balance Sheets

Promise Co., Ltd. and Consolidated Subsidiaries  
March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 4) .....	¥ 105,761	¥ 124,390	\$ 879,875
Time deposits (Note 11).....	4,163	7,344	34,637
Receivables and consumer loans:			
Notes and accounts receivable (Note 11) .....	60,997	53,654	507,464
Consumer loans receivable (Notes 5 and 11):			
Principal .....	1,614,524	1,543,288	13,431,978
Accrued interest income .....	15,674	15,734	130,403
Less: Allowance for credit losses (Note 6).....	(114,550)	(86,667)	(952,999)
	<b>1,576,645</b>	1,526,009	<b>13,116,846</b>
Prepaid expenses .....	2,836	3,099	23,598
Deferred tax assets (Note 19).....	37,702	31,329	313,662
Other current assets .....	10,399	11,009	86,507
<b>Total current assets</b> .....	<b>1,737,506</b>	1,703,180	<b>14,455,125</b>
<b>Investments and advances:</b>			
Investments in securities (Note 7).....	20,571	24,299	171,139
Investments in and advances to unconsolidated subsidiaries and affiliates.....	8,018	7,805	66,707
Investments in equity other than capital stock.....	1,667	2,507	13,867
Long-term prepaid expenses.....	1,076	1,059	8,953
Excess investment cost over net assets of consolidated subsidiaries acquired, net.....	5,775	6,557	48,046
Deferred tax assets (Note 19).....	7,573	4,999	63,007
Other investments and advances .....	21,417	23,624	178,172
Less: Allowance for credit losses (Note 6).....	(848)	(546)	(7,055)
<b>Total investments and advances</b> .....	<b>65,249</b>	70,304	<b>542,836</b>
<b>Property and equipment, net</b> (Notes 9 and 11).....	<b>39,008</b>	45,371	<b>324,530</b>
<b>Fixed leasehold deposits</b> (Note 10) .....	<b>13,590</b>	14,922	<b>113,055</b>
<b>Total assets</b> .....	<b>¥1,855,353</b>	¥1,833,777	<b>\$15,435,546</b>

The accompanying notes are an integral part of these statements.



	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Note 11).....	¥ 26,990	¥ 21,732	\$ 224,539
Current portion of long-term debt (Note 11) .....	278,755	244,226	2,319,092
Accounts payable:			
Trade.....	1,737	3,364	14,452
Other .....	6,590	9,404	54,821
	8,327	12,768	69,273
Accrued income taxes (Note 19) .....	31,809	42,544	264,637
Accrued expenses .....	7,919	7,720	65,880
Other current liabilities .....	12,519	11,175	104,157
<b>Total current liabilities .....</b>	<b>366,319</b>	<b>340,165</b>	<b>3,047,578</b>
<b>Long-term liabilities:</b>			
Long-term debt (Note 11).....	848,341	898,915	7,057,746
Non-current accounts payable .....	2,855	2,770	23,753
Accrued severance indemnities (Note 12).....	18,111	15,073	150,672
Other long-term liabilities .....	1,617	1,988	13,453
<b>Total long-term liabilities .....</b>	<b>870,924</b>	<b>918,746</b>	<b>7,245,624</b>
<b>Commitments and contingent liabilities</b> (Notes 5, 11, 13 and 14)			
<b>Shareholders' equity</b> (Note 15):			
Common stock:			
Authorized—300,000,000 shares			
Issued—125,966,665 shares at March 31, 2003 .....	49,054	—	408,101
—125,966,665 shares at March 31, 2002 .....	—	49,054	—
Additional paid-in capital.....	92,288	92,288	767,783
Retained earnings .....	483,972	436,003	4,026,394
Net unrealized gain (loss) on securities .....	(404)	1,058	(3,361)
Foreign currency translation adjustments .....	(229)	172	(1,903)
Less: Treasury stock—1,169,933 shares at March 31, 2003 .....	(6,571)	—	(54,670)
— 468,286 shares at March 31, 2002 .....	—	(3,709)	—
<b>Total shareholders' equity .....</b>	<b>618,110</b>	<b>574,866</b>	<b>5,142,344</b>
<b>Total liabilities and shareholders' equity .....</b>	<b>¥1,855,353</b>	<b>¥1,833,777</b>	<b>\$15,435,546</b>

# Consolidated Statements of Income

Promise Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
<b>Operating income:</b>			
Interest on consumer loans .....	¥381,126	¥362,760	\$3,170,765
Sales .....	9,869	12,286	82,103
Other operating income (Note 16) .....	19,624	19,449	163,265
<b>Total operating income .....</b>	<b>410,619</b>	<b>394,495</b>	<b>3,416,133</b>
<b>Operating expenses:</b>			
Financial expenses (Note 17) .....	24,802	24,868	206,341
Cost of sales .....	8,540	10,620	71,046
General and administrative expenses (Note 18) .....	145,509	147,493	1,210,555
Credit losses including provision for uncollectible loans (Note 6) .....	124,810	96,996	1,038,358
<b>Total operating expenses .....</b>	<b>303,661</b>	<b>279,977</b>	<b>2,526,300</b>
<b>Operating profit .....</b>	<b>106,958</b>	<b>114,518</b>	<b>889,833</b>
<b>Other income (expenses):</b>			
Interest and dividend income on investments .....	786	279	6,543
Interest expense .....	(329)	(498)	(2,740)
Equity in earnings of Tokumei Kumiai .....	974	1,093	8,102
Net gain (loss) on sales of investments in securities (Note 7) .....	(5)	1,846	(41)
Loss on valuation of investments in securities (Note 7) .....	(512)	(8)	(4,259)
Net loss on sales or disposal of property and equipment .....	(1,374)	(1,049)	(11,434)
Equity in net loss of affiliated companies .....	(37)	(3,164)	(307)
Expense for relocation of offices .....	(624)	(222)	(5,199)
Gain on sales of golf club membership .....	36	—	301
Impairment loss on deposits for golf club membership .....	(43)	(217)	(356)
Other, net .....	(24)	(270)	(196)
<b>Total other expenses, net .....</b>	<b>(1,152)</b>	<b>(2,210)</b>	<b>(9,586)</b>
<b>Income before income taxes .....</b>	<b>105,806</b>	<b>112,308</b>	<b>880,247</b>
<b>Income taxes (Note 19):</b>			
Current .....	53,212	64,461	442,690
Deferred .....	(8,122)	(15,094)	(67,571)
	<b>45,090</b>	<b>49,367</b>	<b>375,119</b>
<b>Net income .....</b>	<b>¥ 60,716</b>	<b>¥ 62,941</b>	<b>\$ 505,128</b>

	Yen		U.S. Dollars (Note 3)
<b>Amount per share (Note 21):</b>			
Net income:			
Basic .....	¥483.62	¥504.78	\$4.02
Diluted .....	—	503.23	—
Cash dividends .....	100.00	100.00	0.83
<b>Weighted average number of shares (Thousands):</b>			
Basic .....	125,339	124,691	
Diluted .....	—	125,075	

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, 2003 and 2002

	Millions of Yen						
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gain (loss) on securities	Foreign currency translation adjustments	Treasury stock
<b>Balance at March 31, 2001</b> .....	124,715,592	¥49,054	¥82,484	¥384,668	¥4,518	¥(299)	¥(2,921)
Net income.....	—	—	—	62,941	—	—	—
Cash dividends paid.....	—	—	—	(11,815)	—	—	—
Bonuses to directors and corporate auditors .....	—	—	—	(260)	—	—	—
Increase due to inclusion of a newly consolidated company .....	—	—	—	469	—	—	—
Issuance of new shares through stock exchange...	1,251,073	—	8,720	—	—	—	—
Decrease due to valuation of securities, net of tax ..	—	—	—	—	(3,460)	—	—
Stock exchange adjustments.....	—	—	1,084	—	—	—	—
Adjustments on foreign currency financial statement translation.....	—	—	—	—	—	471	—
Increase in treasury stock.....	—	—	—	—	—	—	(788)
<b>Balance at March 31, 2002</b> .....	125,966,665	¥49,054	¥92,288	¥436,003	¥1,058	¥ 172	¥(3,709)
Net income.....	—	—	—	<b>60,716</b>	—	—	—
Cash dividends paid.....	—	—	—	<b>(12,550)</b>	—	—	—
Bonuses to directors and corporate auditors .....	—	—	—	<b>(197)</b>	—	—	—
Decrease due to valuation of securities, net of tax ..	—	—	—	—	<b>(1,462)</b>	—	—
Adjustments on foreign currency financial statement translation.....	—	—	—	—	—	<b>(401)</b>	—
Increase in treasury stock.....	—	—	—	—	—	—	<b>(2,862)</b>
<b>Balance at March 31, 2003</b> .....	<b>125,966,665</b>	<b>¥49,054</b>	<b>¥92,288</b>	<b>¥483,972</b>	<b>¥ (404)</b>	<b>¥(229)</b>	<b>¥(6,571)</b>

	Thousands of U.S. Dollars (Note 3)					
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gain (loss) on securities	Foreign currency translation adjustments	Treasury stock
<b>Balance at March 31, 2002</b> .....	\$408,101	\$767,783	\$3,627,318	\$ 8,800	\$ 1,435	\$(30,854)
Net income .....	—	—	<b>505,128</b>	—	—	—
Cash dividends paid .....	—	—	<b>(104,408)</b>	—	—	—
Bonuses to directors and corporate auditors .....	—	—	<b>(1,644)</b>	—	—	—
Decrease due to valuation of securities, net of tax .....	—	—	—	<b>(12,161)</b>	—	—
Adjustments on foreign currency financial statement translation .....	—	—	—	—	<b>(3,338)</b>	—
Increase in treasury stock .....	—	—	—	—	—	<b>(23,816)</b>
<b>Balance at March 31, 2003</b> .....	<b>\$408,101</b>	<b>\$767,783</b>	<b>\$4,026,394</b>	<b>\$ (3,361)</b>	<b>\$(1,903)</b>	<b>\$(54,670)</b>

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, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
<b>Operating activities:</b>			
Income before income taxes .....	¥105,806	¥112,308	\$ 880,247
Adjustments for:			
Depreciation and amortization .....	8,714	8,611	72,500
Provision for credit loss on receivables and consumer loans .....	28,444	24,695	236,643
Provision for accrued severance indemnities .....	2,999	1,956	24,949
Equity in earnings of Tokumei Kumiai .....	(974)	(1,093)	(8,102)
Net loss (gain) on sales of investments in securities .....	5	(1,846)	41
Net loss on sales or disposal of property and equipment .....	1,374	1,049	11,434
Equity in net loss of affiliated companies .....	37	3,164	307
Impairment loss on deposits for golf club membership .....	43	217	356
Increase in consumer loans receivable: Principal .....	(71,829)	(103,007)	(597,581)
Increase in notes and accounts receivable .....	(4,749)	(7,665)	(39,515)
Increase (decrease) in accounts payable .....	(3,300)	1,642	(27,456)
Income taxes paid .....	(63,624)	(42,780)	(529,316)
Other, net .....	6,221	(4,400)	51,768
<b>Net cash provided by (used in) operating activities .....</b>	<b>9,167</b>	<b>(7,149)</b>	<b>76,275</b>
<b>Investing activities:</b>			
Payment for purchase of property and equipment .....	(1,899)	(6,560)	(15,802)
Proceeds from sales of property and equipment .....	1,260	108	10,478
Payment for purchase of investments in securities .....	(30)	(19,200)	(251)
Proceeds from sales of investments in securities .....	254	4,743	2,113
Acquisition of shares of subsidiaries resulted in the change in scope of consolidation .....	270	—	2,244
Payment for purchase of shares of subsidiaries .....	(250)	—	(2,080)
Proceeds from issuance of new shares through stock exchange, net of cash acquired .....	—	2,002	—
Increase in loans .....	(2,795)	(520)	(23,249)
Decrease in other investments .....	2,372	6,417	19,740
<b>Net cash used in investing activities .....</b>	<b>(818)</b>	<b>(13,010)</b>	<b>(6,807)</b>
<b>Financing activities:</b>			
Proceeds from long-term debt .....	193,088	324,335	1,606,390
Repayments of long-term debt .....	(217,204)	(250,384)	(1,807,022)
Proceeds from issuance of bonds, net of expenses .....	39,719	84,490	330,438
Redemption of bonds .....	(30,000)	(30,000)	(249,584)
Increase (decrease) in short-term borrowings .....	2,919	(76,978)	24,288
Increase in treasury stock .....	(2,862)	(10)	(23,816)
Cash dividends paid .....	(12,550)	(11,815)	(104,408)
Increase in other financing activities .....	—	298	—
<b>Net cash provided by (used in) financing activities .....</b>	<b>(26,890)</b>	<b>39,936</b>	<b>(223,714)</b>
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(88)</b>	<b>86</b>	<b>(734)</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>(18,629)</b>	<b>19,863</b>	<b>(154,980)</b>
<b>Cash and cash equivalents at beginning of the year .....</b>	<b>124,390</b>	<b>103,968</b>	<b>1,034,855</b>
<b>Effect of the increase in scope of consolidated subsidiaries .....</b>	<b>—</b>	<b>559</b>	<b>—</b>
<b>Cash and cash equivalents at end of the year .....</b>	<b>¥105,761</b>	<b>¥124,390</b>	<b>\$ 879,875</b>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the year for:			
Interest .....	¥ 23,552	¥ 23,763	\$ 195,940
<b>Major non-cash financing activities:</b>			
Increase in additional paid-in capital through stock exchange .....	—	9,804	—

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 ("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 15 subsidiaries and 3 affiliates as of March 31, 2003 and 15 subsidiaries and 3 affiliates as of March 31, 2002. The accompanying consolidated financial statements include the accounts of the Company and 10 (11 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
Plat Corporation* <sup>1</sup>	Japan	March 31
Sun Life Co., Ltd.* <sup>2</sup>	Japan	March 31
MITSUWAKAI Co., Ltd.* <sup>3</sup>	Japan	February 28
PAL Corporation Ltd.	Japan	March 31
Net Future Co., Ltd.	Japan	March 31
System Trinity Co., Ltd.* <sup>4</sup>	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

\*1 Plat Corporation was established on April 1, 2002 through the merger of Rich Co., Ltd., Shinkou Co., Ltd. and TOWA Co., Ltd. and then has been included in the consolidation effective from the year ended March 31, 2003.

\*2 Sun Life Co., Ltd. has been included in consolidation from December 17, 2001, the date on which Sun Life Co., Ltd. became a wholly owned subsidiary of the Company through a stock exchange.

\*3 MITSUWAKAI Co., Ltd. has been included in consolidation from April 15, 2002, the date on which MITSUWAKAI Co., Ltd. became a wholly owned subsidiary of GC Co., Ltd. through purchase of shares.

\*4 System Trinity Co., Ltd. has been included in consolidation from the year ended March 31, 2002.

The remaining 5 unconsolidated subsidiaries at March 31, 2003 were not consolidated because their aggregate amount of sales, assets, net income and retained earnings were not material to the consolidated results of operations, total assets, net income and retained earnings, respectively.

On the acquisition of a subsidiary, all of the subsidiaries' assets and liabilities that exist at the date of acquisition are recorded at their fair value.

Any material difference between the cost of investment in a subsidiary and the equity in its net assets at the date of acquisition is amortized over 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 in consolidation on the basis of their fiscal periods ended three months prior to March 31.

### (2) Application of the Equity Method

Investments in companies that 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, 2003	Fiscal year-end
MOBIT Co., Ltd.	Japan	45.00%	March 31

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 unconsolidated subsidiaries and the remaining affiliates 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 Currencies

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, shareholders' equity is translated at the historical rate and revenues and expenses are translated at the average rate for the respective periods.

Differences arising from the translations are recorded "Foreign currency translation adjustments" in shareholders' equity.

#### **(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 practices, 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 consolidated subsidiaries are provided in an amount deemed necessary to cover possible non-collectible accounts based on the percentage of their own actual experience of bad debt loss written off against the balance of receivables and consumer loans.

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

The written-off balances of these consumer loans are managed by the special collection department. This department makes an effort to collect the previously written-off balances as long as these balances are legally 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**

All equity securities and debt securities are classified as "Other securities", which represents securities other than trading or held-to-maturity securities.

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 standard, the Company and its domestic subsidiaries' management determine the appropriate classification of securities, and records trading securities in current assets and other securities as investments in securities.

Marketable "Other securities" are stated at market value. Adjustments to market value are recorded as an increase or a decrease in shareholders' equity, net of tax. Under the Commercial Code, unrealized holding gains (losses) on securities, net of tax are not available for distribution as dividends and bonuses to directors and corporate 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.

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

#### **(7) Property and Equipment**

Property and equipment (other than new buildings acquired on or after April 1, 1998, to which the straight-line method is applied) 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) Foreign Currency Translation**

The Company and its domestic subsidiaries have adopted the Financial Accounting Standard on "Accounting for Foreign Currency Transactions."

Following the standard, receivables and payables denominated in foreign currencies are translated into Japanese yen at the relevant exchange rates prevailing at the respective balance sheet dates.

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

#### **(9) Leases**

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

#### **(10) Accrued Severance Indemnities**

The Company and its domestic subsidiaries have adopted the Financial Accounting Standard on "Accounting for Retirement Benefits" issued by the Business Accounting Deliberation Council.

Following the standard, the amount of accrued severance indemnities for employees is provided based on the amount of the projected benefit obligation less the fair value of the pension plan assets. The accrued severance indemnity cost for the fiscal period is charged to income as incurred.

Unrecognized past service cost and net actuarial loss arising in the years are charged to income in the year in which they arise.

The directors and corporate auditors of the Company and certain subsidiaries are covered by a retirement benefit plan under which the retiring directors or corporate 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 directors and corporate auditors in the accompanying balance sheets represent the estimated amount to be paid if all directors and corporate auditors retired at the balance sheet dates.

In addition, allowance for retirement benefits for the above-mentioned executive officers is provided based on the Company's pertinent rules and is calculated as the estimated amount which would be payable if these officers were to retire at the balance sheet date.

#### **(11) Bond Issue Expenses**

Bond issue expenses are charged to income as incurred.

#### **(12) Appropriation of Retained Earnings**

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

**(13) 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.

Diluted net income per share is based upon the weighted average number of shares of common stock outstanding after consideration of the dilutive effect of treasury stock for stock option plans during each year.

Effective from the year ended March 31, 2003, the Company has adopted the Financial Accounting Standard on "Accounting for Earnings per Share". The figures of "Amount per share" for the year ended March 31, 2003 were calculated in accordance with the new standard. The prior-year figures were calculated as before. There is no impact to the amount per share for the current year due to the adoption.

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

**3. UNITED STATES DOLLAR AMOUNTS**

The Company prepares its consolidated financial statements in Japanese yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetical results of translating yen into dollars at the rate of ¥120.20 to U.S.\$1, being the effective rate of exchange at

**(14) 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.

**(15) 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 instruments. Certain derivative instruments satisfying the condition prescribed under the standard are not evaluated at fair value.

**(16) Reclassifications**

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

March 31, 2003. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at the rate of ¥120.20 to U.S.\$1 or at any other rate.

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included ¥46,076 million (\$383,330 thousand) and ¥49,409 million of short-term commercial notes, as of March 31, 2003 and 2002, respectively. The Companies received securities, commercial paper and others as collateral for short-term commercial notes. Market values of collateral as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Securities.....	<b>¥14,028</b>	¥17,849	<b>\$116,703</b>
Commercial paper.....	<b>28,999</b>	17,090	<b>241,259</b>
Others.....	<b>3,050</b>	14,401	<b>25,374</b>
	<b>¥46,077</b>	¥49,340	<b>\$383,336</b>

## 5. CONSUMER LOANS RECEIVABLE

- (1) Unsecured loans to individual customers, which were included in "Consumer loans receivable", were ¥1,607,121 million (\$13,370,396 thousand) and ¥1,532,578 million as of March 31, 2003 and 2002, 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
	2003	2002	2003
Credits of bankrupt borrowers .....	¥ 4,437	¥ 2,648	\$ 36,910
Delinquent loans .....	699	706	5,821
Delinquent loans past due three months or more .....	13,849	9,842	115,220
Restructured loans .....	46,417	37,429	386,163
	¥65,402	¥50,625	\$544,114

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 the 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 due 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 favorable 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 due three months or more, as described above.

Restructured loans which are 30 days or less past due were ¥41,246 million (\$343,145 thousand) and ¥32,676 million as of March 31, 2003 and 2002, respectively.

- (3) A revolving credit facility agreement is a contract whereby the Companies are obligated to loan repeatedly up to a predetermined amount to a customer on request, if the customer has met the terms and conditions of the contract.

The total balance of revolving credit facilities unused, including credit facilities of customers without any loan balance, except for those making no payment or receipt for two years or more, was ¥420,185 million (\$3,495,715 thousand) and ¥427,663 million as of March 31, 2003 and 2002, respectively. The balance of revolving credit facilities unused and secured was ¥283 million (\$2,352 thousand) and ¥325 million as of March 31, 2003 and 2002, respectively. Since revolving credit facilities expire without making a loan, the total balance of unused credit facilities must not impact on future cash flows of the Companies.

Revolving credit facilities contain provisions that allow the Companies to refuse to loan to the customers or reduce the contract amount of the credit facilities if credit exposures or similar conditions change. After contracted, the Companies periodically monitor customers' creditworthiness and, if necessary, take measures to manage credit exposures, such as revising the terms of the contract.

## 6. ALLOWANCE FOR CREDIT LOSSES

Transactions affecting the "Allowance for credit losses" account for the years ended March 31, 2003 and 2002 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Balance at beginning of the year .....	¥ 87,213	¥61,349	\$725,566
Adjustments for newly consolidated subsidiaries and foreign currency translation.....	(25)	895	(204)
Credit losses written off against the allowance .....	(86,523)	(61,269)	(719,825)
Provision for uncollectible loans .....	114,733	86,238	954,517
Balance at end of the year.....	¥115,398	¥87,213	\$960,054



## 7. INVESTMENTS IN SECURITIES

Investments in securities held by the Companies as of March 31, 2003 and 2002 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Investments in securities:			
Equity securities .....	¥ 7,128	¥10,838	\$ 59,302
Other .....	13,443	13,461	111,837
	¥20,571	¥24,299	\$171,139

Book value and acquisition cost information on marketable "Other securities" as of March 31, 2003 is 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 .....	¥1,412	¥1,578	¥166	\$11,751	\$13,125	\$ 1,374
Securities whose book values on the accompanying consolidated balance sheet do not exceed their acquisition costs:						
Equity securities .....	4,455	3,482	(973)	37,055	28,971	(8,084)
Other .....	115	115	—	960	960	—
	4,570	3,597	(973)	38,015	29,931	(8,084)
	¥5,982	¥5,175	¥(807)	\$49,766	\$43,056	\$(6,710)

"Other securities" sold during the year ended March 31, 2003 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
	¥254	¥6	¥11	\$2,113	\$47	\$88

Book values of "Other securities" which were not marketable as of March 31, 2003, are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Investments in securities:		
Equity securities .....	¥ 2,068	\$ 17,206
Other:		
Discount debentures .....	28	228
Preference share .....	13,300	110,649

Book value and acquisition cost information on marketable "Other securities" as of March 31, 2002 is summarized as follows:

	Millions of Yen		
	Acquisition cost	Book value per balance sheet	Difference
Securities whose book values on the accompanying consolidated balance sheet exceed their acquisition costs:			
Equity securities .....	¥5,685	¥7,649	¥1,964
Securities whose book values on the accompanying consolidated balance sheet do not exceed their acquisition costs:			
Equity securities .....	892	657	(235)
Other .....	259	161	(98)
	1,151	818	(333)
	¥6,836	¥8,467	¥1,631

"Other securities" sold during the year ended March 31, 2002 were as follows:

	Millions of Yen		
	Proceeds from sales	Gain on sales	Loss on sales
	¥5,880	¥2,745	¥899

Book values of "Other securities" which were not marketable as of March 31, 2002, are summarized as follows:

	Millions of Yen
Investments in securities:	
Equity securities .....	¥ 2,532
Other:	
Preference share .....	13,300

As for "Other securities", if their fair market value has declined more than 50% of their book value, such securities are measured at their fair market value, and any decreases in the carrying amount are charged to income as the loss on valuation of investments in securities. In case their fair market value has declined more than 30% but less than 50% of their book value, such securities are measured at their fair market value, and any decreases in the carrying amount are charged to income as the loss on valuation of

investments in securities unless the fair market value is expected to be recoverable.

The Companies recognized ¥512 million (\$4,259 thousand), and ¥8 million in loss on valuation of investment in securities for the years ended March 31, 2003 and 2002, respectively.

The aggregate annual maturities of securities included in "Other securities" outstanding as of March 31, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
2004.....	¥ 28	\$ 228
2005–2008.....	331	2,750
2009–2013.....	—	—
2013 and thereafter.....	—	—

## 8. DERIVATIVES AND HEDGING ACTIVITIES

The Company and certain subsidiaries 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 accounting standard, were as follows:

	Millions of Yen			
	Notional amount			
	Total	Due after one year	Fair value	Unrealized loss
<b>Year ended March 31, 2003:</b>				
Interest rate swap:				
Changing floating rates into fixed rate .....	¥20,960	¥20,800	¥(451)	¥(451)
Interest rate cap:				
Purchased .....	4,000	—	0	(10)
	¥24,960	¥20,800	¥(451)	¥(461)
<b>Year ended March 31, 2002:</b>				
Interest rate swap:				
Changing floating rates into fixed rate .....	¥28,629	¥20,000	¥(589)	¥(589)
Interest rate cap:				
Purchased.....	8,000	4,000	0	(34)
	¥36,629	¥24,000	¥(589)	¥(623)

	Thousands of U.S. Dollars			
	Notional amount			Unrealized loss
	Total	Due after one year	Fair value	
<b>Year ended March 31, 2003:</b>				
Interest rate swap:				
Changing floating rates into fixed rate .....	<b>\$207,654</b>	<b>\$173,045</b>	<b>\$(3,751)</b>	<b>\$(3,751)</b>
Interest rate cap:				
Purchased .....	<b>33,278</b>	<b>—</b>	<b>0</b>	<b>(85)</b>
	<b>\$240,932</b>	<b>\$173,045</b>	<b>\$(3,751)</b>	<b>\$(3,836)</b>

## 9. PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2003 and 2002 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Buildings .....	<b>¥25,219</b>	¥26,146	<b>\$209,807</b>
Structures .....	<b>4,820</b>	5,092	<b>40,100</b>
Furniture, fixtures and equipment .....	<b>37,644</b>	40,258	<b>313,181</b>
Other .....	<b>126</b>	136	<b>1,047</b>
	<b>67,809</b>	71,632	<b>564,135</b>
Less: Accumulated depreciation .....	<b>(41,845)</b>	(41,538)	<b>(348,131)</b>
	<b>25,964</b>	30,094	<b>216,004</b>
Land .....	<b>13,044</b>	13,903	<b>108,526</b>
Construction in process .....	<b>—</b>	1,374	<b>—</b>
	<b>¥39,008</b>	¥45,371	<b>\$324,530</b>

## 10. FIXED LEASEHOLD DEPOSITS

Fixed leasehold deposits as of March 31, 2003 and 2002 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

(1) Information on the amount of short-term borrowings outstanding as of March 31, 2003 and 2002 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Short-term bank loans*:			
Secured .....	<b>¥ 1,386</b>	¥ 2,037	<b>\$ 11,528</b>
Entered into the forward contract of assigning consumer loans receivable .....	<b>3,150</b>	1,300	<b>26,206</b>
Unsecured .....	<b>19,859</b>	13,375	<b>165,216</b>
	<b>24,395</b>	16,712	<b>202,950</b>
Commercial paper and other:			
Secured .....	<b>277</b>	1,758	<b>2,303</b>
Unsecured .....	<b>2,318</b>	3,262	<b>19,286</b>
	<b>2,595</b>	5,020	<b>21,589</b>
	<b>¥26,990</b>	¥21,732	<b>\$224,539</b>
* Maximum month-end balance outstanding during the period .....	<b>¥24,395</b>	¥27,513	<b>\$202,950</b>
Average month-end balance outstanding during the period .....	<b>17,418</b>	22,868	<b>144,911</b>
Weighted average interest rate for the period .....	<b>1.609%</b>	2.611%	

Short-term bank loans outstanding as of March 31, 2003 and 2002 were represented mainly by overdrafts with banks bearing interest at annual rates ranging from 0.590% to 5.000%, and from 0.585% to 5.125%, respectively.

The principal ranges of annual interest rates applicable to commercial paper and other as of March 31, 2003 and 2002 were from 1.250% to 1.780%, and from 0.500% to 2.910%, respectively.

(2) Long-term debt outstanding as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Loans, principally from banks and other financial institutions with interest rates indicated below*:			
Secured .....	¥ 239,071	¥256,134	\$ 1,988,943
Entered into the forward contract of assigning consumer loans receivable .....	351,739	370,936	2,926,283
Unsecured .....	214,286	204,071	1,782,743
	<b>805,096</b>	831,141	<b>6,697,969</b>
Bonds issued by Promise Co., Ltd.:			
2.600% per annum uncollateralized yen bonds, due 2002 .....	—	10,000	—
2.000% per annum uncollateralized yen bonds, due 2002 .....	—	10,000	—
2.050% per annum uncollateralized yen bonds, due 2002 .....	—	10,000	—
2.030% per annum uncollateralized yen bonds, due 2004 .....	20,000	20,000	166,389
1.790% per annum uncollateralized yen bonds, due 2004 .....	10,000	10,000	83,195
1.400% per annum uncollateralized yen bonds, due 2003 .....	10,000	10,000	83,195
2.270% per annum uncollateralized yen bonds, due 2005 .....	10,000	10,000	83,195
2.510% per annum uncollateralized yen bonds, due 2006 .....	20,000	20,000	166,389
1.900% per annum uncollateralized yen bonds, due 2003 .....	20,000	20,000	166,389
2.950% per annum uncollateralized yen bonds, due 2009 .....	10,000	10,000	83,195
2.560% per annum uncollateralized yen bonds, due 2010 .....	15,000	15,000	124,791
Floating rate (six-month Japanese yen—LIBOR+0.5%) uncollateralized yen bonds, due 2005 .....	10,000	10,000	83,195
2.270% per annum uncollateralized yen bonds, due 2008 .....	10,000	10,000	83,195
2.900% per annum uncollateralized yen bonds, due 2012 .....	10,000	10,000	83,195
2.040% per annum uncollateralized yen bonds, due 2007 .....	20,000	20,000	166,389
2.080% per annum uncollateralized yen bonds, due 2005 .....	10,000	10,000	83,195
Floating rate (six-month Japanese yen—LIBOR+0.75%) uncollateralized yen bonds, due 2005 .....	10,000	10,000	83,195
1.750% per annum uncollateralized yen bonds, due 2005 .....	10,000	10,000	83,195
1.700% per annum uncollateralized yen bonds, due 2006 .....	10,000	10,000	83,195
1.740% per annum uncollateralized yen bonds, due 2008 .....	10,000	10,000	83,195
1.200% per annum uncollateralized yen bonds, due 2006 .....	15,000	15,000	124,791
1.630% per annum uncollateralized yen bonds, due 2008 .....	10,000	10,000	83,195
1.400% per annum uncollateralized yen bonds, due 2007 .....	20,000	20,000	166,389
0.920% per annum uncollateralized yen bonds, due 2005 .....	20,000	20,000	166,389
1.470% per annum uncollateralized yen bonds, due 2007 .....	10,000	—	83,195
2.050% per annum uncollateralized yen bonds, due 2009 .....	10,000	—	83,195
2.290% per annum uncollateralized yen bonds, due 2010 .....	10,000	—	83,195
1.000% per annum uncollateralized yen bonds, due 2006 .....	10,000	—	83,195
Bond issued by GC Co., Ltd.:			
1.600% per annum uncollateralized yen bonds, due 2003 .....	2,000	2,000	16,638
Less: Portion due within one year .....	(278,755)	(244,226)	(2,319,092)
	<b>¥ 848,341</b>	¥898,915	<b>\$ 7,057,746</b>
Weighted average interest rate for the period .....	<b>2.006%</b>	2.105%	

\* Annual interest rates on loans from banks and other financial institutions outstanding as of March 31, 2003 and 2002 ranged from 0.955% to 5.150% and from 1.000% to 5.500%, respectively.

(3) 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, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Time deposits .....	¥ 649	¥ 752	\$ 5,399
Notes and accounts receivable* .....	10,930	17,432	90,934
Consumer loans receivable* .....	243,751	254,369	2,027,881
Property and equipment .....	8,184	8,337	68,084
Other .....	4	4	33
	<b>¥263,518</b>	<b>¥280,894</b>	<b>\$2,192,331</b>

\* 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 ¥367,548 million (\$3,057,800 thousand) and ¥386,091 million as of March 31, 2003 and 2002, respectively.

The aggregate annual maturities of long-term debt outstanding, excluding the preceding bonds, as of March 31, 2003 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2004 .....	¥246,755	\$2,052,869
2005 .....	211,811	1,762,160
2006 .....	206,784	1,720,335
2007 .....	100,563	836,627
2008 and thereafter .....	39,183	325,978
	<b>¥805,096</b>	<b>\$6,697,969</b>

(4) The outstanding bank overdraft and loan commitments contracted but not provided for and similar agreements, as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Bank overdraft commitments:			
Credit facilities .....	¥ 17,100	¥ 14,922	\$ 142,265
Used .....	(6,646)	(9,230)	(55,290)
Unused .....	¥ 10,454	¥ 5,692	\$ 86,975
Bank loan commitments:			
Credit facilities .....	¥232,080	¥145,699	\$1,930,782
Used .....	(11,227)	(12,013)	(93,406)
Unused .....	¥220,853	¥133,686	\$1,837,376

## 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 evaluations and the 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. These plans cover 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 sheets as of March 31, 2003 and 2002.

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Benefit obligation .....	<b>¥(34,507)</b>	¥(30,465)	<b>\$(287,081)</b>
Fair value of plan assets .....	<b>16,818</b>	16,437	<b>139,920</b>
Funded status .....	<b>(17,689)</b>	(14,028)	<b>(147,161)</b>
Net liability recognized in balance sheet .....	<b>(17,689)</b>	(14,028)	<b>(147,161)</b>
Accrued severance indemnities for employees .....	<b>¥(17,689)</b>	¥(14,028)	<b>\$(147,161)</b>

Components of net periodic benefit cost for the year ended March 31, 2003 and 2002 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost .....	<b>¥2,474</b>	¥2,309	<b>\$20,585</b>
Interest cost .....	<b>901</b>	799	<b>7,497</b>
Expected return on plan assets .....	<b>(4)</b>	(343)	<b>(29)</b>
Past service cost .....	<b>(2,173)</b>	—	<b>(18,079)</b>
Net actuarial loss .....	<b>4,479</b>	1,089	<b>37,261</b>
Net periodic benefit cost .....	<b>¥5,677</b>	¥3,854	<b>\$47,235</b>

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

The benefit obligation was determined using a discount rate of 2.5% and 3.0% for the years ended March 31, 2003 and 2002, respectively. The expected long-term rates of return on the non-contributory pension plan assets and contributory funded pension plan assets were from 0% to 1.0% and 0% for the year ended March 31, 2003, and from 2.4% to 4.0% and 2.1% for the year ended March 31, 2002.

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

Certain subsidiaries' benefit obligations were calculated using a simplified method, which is permitted to be applied by the small

size of companies, in conformity with the Financial Accounting Standard on "Accounting for Retirement Benefits".

The Company revised the age of pension payment eligibility in accordance with the Welfare Pension Insurance Law, revised in March 2000. The effect of this change for the year ended March 31, 2003 was to decrease past service cost by ¥2,279 million (\$18,962 thousand).

On April 1, 2002, the three consolidated subsidiaries merged and coordinated their provision for the retirement plan. The effect of this change for the year ended March 31, 2003 was to increase past service cost by ¥106 million (\$883 thousand).

### 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, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Rental expense .....	<b>¥1,991</b>	¥1,980	<b>\$16,568</b>
Depreciation expense .....	<b>1,794</b>	1,730	<b>14,927</b>
Interest expense .....	<b>160</b>	202	<b>1,333</b>

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, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year .....	<b>¥1,549</b>	¥1,761	<b>\$12,884</b>
Due after one year .....	<b>2,718</b>	2,660	<b>22,618</b>
	<b>¥4,267</b>	¥4,421	<b>\$35,502</b>

A summary of the leased properties under the above leases as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Furniture, fixtures and equipment .....	<b>¥6,868</b>	¥8,060	<b>\$57,138</b>
Other .....	<b>112</b>	608	<b>932</b>
	<b>6,980</b>	8,668	<b>58,070</b>
Less: Accumulated depreciation .....	<b>(2,804)</b>	(4,406)	<b>(23,329)</b>
	<b>¥4,176</b>	¥4,262	<b>\$34,741</b>

(2) Aggregate future lease payments under ordinary operating leases as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year .....	<b>¥36</b>	¥107	<b>\$304</b>
Due after one year .....	<b>2</b>	33	<b>14</b>
	<b>¥38</b>	¥140	<b>\$318</b>

### 14. CONTINGENT LIABILITIES

The Company's subsidiary in Taiwan operates brokerage of automobile loans. The subsidiary guarantees to purchase loans under

certain conditions occur on them. The amount is ¥232 million (\$1,933 thousand) as of March 31, 2003.

### 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 common stock. The portion which is to be

designated as common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as common stock are credited to additional paid-in capital.

Effective from October 1, 2001, the Commercial Code was revised, and par-value stock was abolished. Under the revised Code, concerning new shares issued through a stock exchange, the minimum amount required to be designated as common stock is not regulated. The portion which is to be designated as common stock was determined by resolution of the Board of Directors. The amounts not designated as common stock are credited to additional paid-in capital.

For the year ended March 31, 2002, the Company issued 1,251 thousand shares through a stock exchange, and additional paid-in capital increased by ¥8,720 million.

The Commercial Code provided 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 the shareholders' meeting but is not available for dividend payments.

Effective from October 1, 2001, the provision of the Commercial Code was revised, and an amount equal to at least 10% of cash dividends and other appropriations of retained earnings paid out with respect to each financial period is required to be set aside until the total amount of additional paid-in capital and legal reserve equals 25% of the amount of common stock.

## 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, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Collected amounts .....	<b>¥6,538</b>	¥7,920	<b>\$54,389</b>

## 17. FINANCIAL EXPENSES

Interest expense, which was included in "Financial expenses" in the accompanying consolidated statements of income, for the years ended March 31, 2003 and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Interest expense .....	<b>¥23,793</b>	¥23,892	<b>\$197,942</b>

## 18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses in the accompanying consolidated statements of income for the years ended March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Advertising expenses .....	<b>¥ 22,198</b>	¥ 27,164	<b>\$ 184,678</b>
Employees' salaries and bonuses .....	<b>37,963</b>	36,509	<b>315,830</b>
Rent expenses.....	<b>14,589</b>	14,424	<b>121,373</b>
Other.....	<b>70,759</b>	69,396	<b>588,674</b>
	<b>¥145,509</b>	¥147,493	<b>\$1,210,555</b>



## 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, 2003 and 2002. Overseas consolidated subsidiaries are subject to income taxes of the countries in which they operate.

For the years ended March 31, 2003 and 2002, the difference between the statutory tax rate and the effective tax rate was immaterial.

On March 31, 2003, the law governing municipal tax was revised to impose enterprise taxes through "pro-forma standard taxation" from April 2004. According to this tax reform act, the tax rate of enterprise tax will decline starting in the fiscal year beginning April 1, 2004. As a result of the declining of the enterprise tax rate, a normal effective tax rate will decline and the deferred tax assets, which will recover income taxes after the fiscal year beginning April 1, 2004, have been revalued based on this effective tax rate.

The effect of this change is to decrease deferred tax assets by ¥256 million (\$2,129 thousand), and to increase tax expenses by the same amount.

The major components of deferred tax assets and liabilities as of March 31, 2003 and 2002 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred tax assets due to:			
Credit losses for receivables and consumer loans.....	¥12,199	¥10,627	\$101,491
Allowance for credit losses.....	16,983	12,299	141,291
Accrued enterprise taxes.....	2,846	3,696	23,678
Accrued severance indemnities for employees.....	6,498	4,781	54,059
Accrued income.....	3,307	3,111	27,509
Other.....	3,837	2,723	31,925
	45,670	37,237	379,953
Deferred tax liabilities due to:			
Net unrealized gains on securities.....	(395)	(909)	(3,284)
Net deferred tax assets.....	¥45,275	¥36,328	\$376,669

Net deferred tax assets as of March 31, 2003 and 2002 were included in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Current assets:			
Deferred tax assets.....	¥37,702	¥31,329	\$313,662
Investments and advances:			
Deferred tax assets.....	7,573	4,999	63,007
	¥45,275	¥36,328	\$376,669

## 20. SEGMENT INFORMATION

The Companies' operations by business segment for the years ended March 31, 2003 and 2002 are not disclosed since the Companies' business other than consumer financial business is immaterial.

The Companies' operations by geographic segment for the years ended March 31, 2003 and 2002 are not disclosed since the Companies' business other than in Japan is immaterial.

Information about operating income overseas for the years ended March 31, 2003 and 2002 is not disclosed since the Companies' operating income overseas is immaterial.

## 21. AMOUNT PER SHARE

The amounts of basic and diluted net income per share for the year ended March 31, 2003 were as follows:

	Yen	U.S. Dollars
Net income per share—Basic.....	¥483.62	\$4.02
—Diluted .....	—	—

The figure of diluted net income per share is not disclosed since there was no potential share of common stock that had dilutive effect.

The amounts and numbers used for the basic net income per share computation were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Net income.....	¥60,716	\$505,128
Less: The amount not applicable to shareholders of common stock		
Bonuses to directors and corporate auditors .....	(100)	(834)
Net income applicable to shareholders of common stock.....	¥60,616	\$504,294

	Shares
Weighted average number of shares of common stock .....	125,338,763

The following figures are potential shares of common stock that were excluded from the net income per share computation because they had no dilutive effect.

	Shares
Treasury stock held for stock option .....	351,000
Warrant for stock option .....	709,350

## 22. SUBSEQUENT EVENT

At the general shareholders' meeting of the Company held on June 25, 2003, the payment of cash dividends, ¥50.0 (\$0.42)

per share, was approved, which amounted to ¥6,240 million (\$51,912 thousand).

# Report of Independent Accountants

To The Board of Directors and Shareholders of  
Promise Co., Ltd.

We have audited the accompanying consolidated balance sheets of Promise Co., Ltd. and its consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Promise Co., Ltd. and its consolidated subsidiaries as of March 31, 2003 and 2002, 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).

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

*ChuoAoyama Audit Corporation*

ChuoAoyama Audit Corporation

Osaka, Japan

June 25, 2003

# Non-Consolidated Balance Sheets

Promise Co., Ltd.  
March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 93,292	¥ 110,984	\$ 776,144
Time deposits .....	2,660	5,815	22,130
Consumer loans receivable:			
Principal .....	1,375,693	1,324,663	11,445,034
Accrued interest income .....	13,112	13,169	109,088
Less: Allowance for credit losses .....	(87,000)	(68,000)	(723,794)
	<b>1,301,805</b>	<b>1,269,832</b>	<b>10,830,328</b>
Prepaid expenses .....	2,065	2,149	17,183
Deferred tax assets .....	32,102	28,315	267,075
Other current assets .....	135,500	112,386	1,127,269
<b>Total current assets</b> .....	<b>1,567,424</b>	<b>1,529,481</b>	<b>13,040,129</b>
<b>Investments and advances:</b>			
Investments in securities .....	16,824	19,947	139,967
Investments in and advances to subsidiaries and affiliates .....	60,238	60,088	501,148
Investments in equity other than capital stock.....	1,038	1,861	8,635
Long-term prepaid expenses .....	847	548	7,050
Deferred tax assets .....	6,681	4,304	55,584
Other investments and advances .....	8,794	11,554	73,164
<b>Total investments and advances</b> .....	<b>94,422</b>	<b>98,302</b>	<b>785,548</b>
<b>Property and equipment, net</b> .....	<b>26,433</b>	<b>30,305</b>	<b>219,909</b>
<b>Fixed leasehold deposits</b> .....	<b>12,201</b>	<b>12,393</b>	<b>101,503</b>
<b>Total assets</b> .....	<b>¥1,700,480</b>	<b>¥1,670,481</b>	<b>\$14,147,089</b>

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120.20 to U.S.\$1, the approximate exchange rate at March 31, 2003.

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings .....	¥ 1,000	¥ 1,300	\$ 8,319
Current portion of long-term debt .....	244,435	219,917	2,033,569
Accounts payable .....	4,757	8,238	39,578
Accrued income taxes .....	29,730	40,111	247,340
Accrued expenses .....	6,679	6,770	55,565
Other current liabilities .....	3,307	2,699	27,511
<b>Total current liabilities .....</b>	<b>289,908</b>	<b>279,035</b>	<b>2,411,882</b>
<b>Long-term liabilities:</b>			
Long-term debt .....	794,477	821,402	6,609,626
Non-current accounts payable .....	965	2,003	8,030
Accrued severance indemnities .....	17,198	14,425	143,077
Other long-term liabilities .....	668	727	5,556
<b>Total long-term liabilities .....</b>	<b>813,308</b>	<b>838,557</b>	<b>6,766,289</b>
<b>Commitments</b>			
<b>Shareholders' equity:</b>			
Common stock			
Authorized—300,000,000 shares			
Issued—125,966,665 shares at March 31, 2003 .....	49,054	—	408,101
—125,966,665 shares at March 31, 2002 .....	—	49,054	—
Additional paid-in capital .....	80,956	80,956	673,510
Legal reserve .....	12,263	12,263	102,025
Voluntary reserve .....	399,000	350,800	3,319,468
Retained earnings .....	62,182	61,685	517,312
Net unrealized gain (loss) on securities .....	(397)	1,062	(3,299)
Less: Treasury stock—1,054,188 shares at March 31, 2003 .....	(5,794)	—	(48,199)
— 352,541 shares at March 31, 2002 .....	—	(2,931)	—
<b>Total shareholders' equity .....</b>	<b>597,264</b>	<b>552,889</b>	<b>4,968,918</b>
<b>Total liabilities and shareholders' equity .....</b>	<b>¥1,700,480</b>	<b>¥1,670,481</b>	<b>\$14,147,089</b>

# Non-Consolidated Statements of Income

Promise Co., Ltd.  
For the years ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>Operating income:</b>			
Interest on consumer loans.....	¥318,068	¥306,847	\$2,646,153
Other operating income.....	8,488	9,400	70,621
<b>Total operating income.....</b>	<b>326,556</b>	<b>316,247</b>	<b>2,716,774</b>
<b>Operating expenses:</b>			
Financial expenses.....	21,817	21,179	181,505
General and administrative expenses.....	109,857	114,276	913,954
Credit losses including provision for uncollectible loans.....	89,463	76,627	744,284
<b>Total operating expenses.....</b>	<b>221,137</b>	<b>212,082</b>	<b>1,839,743</b>
<b>Operating profit.....</b>	<b>105,419</b>	<b>104,165</b>	<b>877,031</b>
<b>Other income (expenses):</b>			
Interest and dividend income on investments.....	629	255	5,236
Bond issue expenses.....	(34)	(25)	(284)
Insurance money received and insurance divided.....	267	392	2,218
Equity in earnings of Tokumei Kumiai.....	877	963	7,299
Net gain on sales of investments in securities.....	2	1,831	14
Loss on valuation of investments in securities.....	(507)	(8)	(4,214)
Net loss on sales or disposal of property and equipment.....	(533)	(587)	(4,433)
Expense for relocation of offices.....	(100)	(162)	(836)
Gain on sales of golf club membership.....	36	—	299
Impairment loss on deposits for golf club membership.....	(23)	(162)	(188)
Other, net.....	(28)	(239)	(233)
<b>Total other income, net.....</b>	<b>586</b>	<b>2,258</b>	<b>4,878</b>
<b>Income before income taxes.....</b>	<b>106,005</b>	<b>106,423</b>	<b>881,909</b>
<b>Income taxes:</b>			
Current.....	49,700	60,888	413,478
Deferred.....	(5,107)	(15,715)	(42,483)
	<b>44,593</b>	<b>45,173</b>	<b>370,995</b>
<b>Net income.....</b>	<b>¥ 61,412</b>	<b>¥ 61,250</b>	<b>\$ 510,914</b>
		Yen	U.S. Dollars
<b>Amount per share:</b>			
Net income:			
Basic.....	¥488.87	¥491.09	\$4.07
Diluted.....	—	489.71	—
Cash dividends.....	100.00	100.00	0.83
<b>Weighted average number of shares (Thousands):</b>			
Basic.....	125,455	124,724	
Diluted.....	—	125,075	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120.20 to U.S.\$1, the approximate exchange rate at March 31, 2003.  
2. Effective from the year ended March 31, 2003, the Company has adopted the Financial Accounting Standard on "Accounting for Earnings per Share".

## Non-Consolidated Statements of Shareholders' Equity

Promise Co., Ltd.  
For the years ended March 31, 2003 and 2002

	Millions of Yen							
	Number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Voluntary reserve	Retained earnings	Net unrealized gain (loss) on securities	Treasury stock
<b>Balance at March 31, 2001</b> .....	124,715,592	¥49,054	¥72,236	¥12,252	¥299,300	¥63,978	¥4,512	¥ —
Net income .....	—	—	—	—	—	61,250	—	—
Legal reserve.....	—	—	—	11	—	(11)	—	—
Cash dividends paid.....	—	—	—	—	—	(11,815)	—	—
Bonuses to directors and corporate auditors .....	—	—	—	—	—	(217)	—	—
Transfer to voluntary reserve .....	—	—	—	—	51,500	(51,500)	—	—
Issuance of new shares through stock exchange .....	1,251,073	—	8,720	—	—	—	—	—
Decrease due to valuation of securities, net of tax.....	—	—	—	—	—	—	(3,450)	—
Reclassification of treasury stock held at the beginning of the year ..	—	—	—	—	—	—	—	(2,921)
Increase in treasury stock .....	—	—	—	—	—	—	—	(10)
<b>Balance at March 31, 2002</b> .....	125,966,665	¥49,054	¥80,956	¥12,263	¥350,800	¥61,685	¥1,062	¥(2,931)
Net income .....	—	—	—	—	—	<b>61,412</b>	—	—
Cash dividends paid.....	—	—	—	—	—	<b>(12,561)</b>	—	—
Bonuses to directors and corporate auditors .....	—	—	—	—	—	<b>(154)</b>	—	—
Transfer to voluntary reserve .....	—	—	—	—	<b>48,200</b>	<b>(48,200)</b>	—	—
Decrease due to valuation of securities, net of tax.....	—	—	—	—	—	—	<b>(1,459)</b>	—
Increase in treasury stock .....	—	—	—	—	—	—	—	<b>(2,863)</b>
<b>Balance at March 31, 2003</b> .....	<b>125,966,665</b>	<b>¥49,054</b>	<b>¥80,956</b>	<b>¥12,263</b>	<b>¥399,000</b>	<b>¥62,182</b>	<b>¥ (397)</b>	<b>¥(5,794)</b>

	Thousands of U.S. Dollars						
	Common stock	Additional paid-in capital	Legal reserve	Voluntary reserve	Retained earnings	Net unrealized gain (loss) on securities	Treasury stock
<b>Balance at March 31, 2002</b> .....	\$408,101	\$673,510	\$102,025	\$2,918,469	\$513,184	\$ 8,835	\$(24,383)
Net income .....	—	—	—	—	<b>510,914</b>	—	—
Cash dividends paid.....	—	—	—	—	<b>(104,504)</b>	—	—
Bonuses to directors and corporate auditors.....	—	—	—	—	<b>(1,283)</b>	—	—
Transfer to voluntary reserve.....	—	—	—	<b>400,999</b>	<b>(400,999)</b>	—	—
Decrease due to valuation of securities, net of tax.....	—	—	—	—	—	<b>(12,134)</b>	—
Increase in treasury stock .....	—	—	—	—	—	—	<b>(23,816)</b>
<b>Balance at March 31, 2003</b> .....	<b>\$408,101</b>	<b>\$673,510</b>	<b>\$102,025</b>	<b>\$3,319,468</b>	<b>\$517,312</b>	<b>\$ (3,299)</b>	<b>\$(48,199)</b>

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120.20 to U.S.\$1, the approximate exchange rate at March 31, 2003.

# Consolidated Subsidiaries

(As of March 31, 2003)

## Japan

### GC Co., Ltd.

<http://www.gccard.co.jp>

Principal Business: Established in September 1979  
GC conducts credit card operations and sales finance in Japan.

Paid-in Capital: ¥5,615 million

Address: 1-2-4, Otemachi, Chiyoda-ku, Tokyo 100-0004

Ownership: 100%

### Plat Corporation

<http://plat.biz>

Principal Business: Established in April 2002 with merger of Rich, Shinkou, and TOWA  
Plat provides consumer finance services accessing Promise's nationwide network of automated contract machines and ATMs.

Paid-in Capital: ¥2,400 million

Address: 1-2-4, Otemachi, Chiyoda-ku, Tokyo 100-0004

Ownership: 100%

### Sun Life Co., Ltd.

<http://www.sunlife-net.co.jp>

Principal Business: Became a wholly owned subsidiary in December 2001  
Sun Life provides consumer finance services mainly in the four prefectures of Shikoku Island and Okayama Prefecture, based on a strategy of maintaining regional dominance.

Paid-in Capital: ¥185 million

Address: 2-7-6, Kawaramachi, Takamatsu, Kagawa 760-0052

Ownership: 100%

### MITSUWAKAI Co., Ltd.

<http://www.mitsuwakai.co.jp>

Principal Business: MITSUWAKAI conducts credit card operations and sales finance mainly in Oita.

Paid-in Capital: ¥99 million

Address: 1-25, Motomachi, Beppu-shi, Oita 874-0944

Ownership: 100% (GC owns 100%).

### PAL Corporation Ltd.

Principal Business: PAL Corporation operates support businesses for Group companies, such as research business and the management of buildings.

Paid-in Capital: ¥3,000 million

Address: 1-2-4, Otemachi, Chiyoda-ku, Tokyo 100-0004

Ownership: 100%

### Net Future Co., Ltd.

<http://www.netfuture.co.jp>

Principal Business: Net Future engages in the management and operation of ATMs and computer peripherals and the provision of telemarketing representatives.

Paid-in Capital: ¥300 million

Address: 1-2-4, Otemachi, Chiyoda-ku, Tokyo 100-0004

Ownership: 100%

### System Trinity Co., Ltd.

<http://www.trinity.co.jp>

Principal Business: Established in December 1988  
System Trinity provides computer system design, operation, and management for financial institutions.

Paid-in Capital: ¥90 million

Address: 1-2-4, Otemachi, Chiyoda-ku, Tokyo 100-0004

Ownership: 100%

## Overseas

### TAIWAN

#### Liang Jing Co., Ltd.

<http://www.kuruma.com.tw>

Principal Business: Established in August 1989  
Liang Jing conducts installment sales of automobiles.

Paid-in Capital: NT\$250 million

Address: 2, Sec. 3, Minsheng E. Rd., Taipei

Ownership: 100% (Yuukei owns 40%).

#### Yuukei Co., Ltd.

Principal Business: Established in February 1991  
Yuukei conducts installment sales of automobiles.

Paid-in Capital: NT\$140 million

Address: 2, Sec. 3, Minsheng E. Rd., Taipei

Ownership: 100%

Note: As of July 1, 2003, the two subsidiaries in Taiwan merged with Liang Jing Co., Ltd., as the continuing company and Yuukei Co., Ltd. being dissolved.

### CHINA

#### PROMISE (HONG KONG) CO., LTD.

<http://www.promise.com.hk>

Principal Business: Established in February 1992  
PROMISE (HONG KONG) provides consumer finance services.

Paid-in Capital: HK\$45 million

Address: 3rd Floor, Number 80 Building,  
80 Gloucester Road,  
Wanchai, Hong Kong

Ownership: 100%



## Corporate Data

(As of March 31, 2003)

Head Office: 1-2-4, Otemachi, Chiyoda-ku,  
Tokyo 100-0004, Japan  
Tel: +81-3-3287-1515

Date of Establishment: March 20, 1962

Fiscal Year: April 1 to March 31

Paid-in Capital: ¥49,054 million

Number of Employees: 4,075

Auditor: ChuoAoyama Audit Corporation

Listing: First Section of Tokyo Stock Exchange

## Shareholder and Investor Information

(As of March 31, 2003)

Common Stock: Authorized: 300,000,000 shares  
Issued: 125,966,665 shares

Number of Shareholders: 9,422

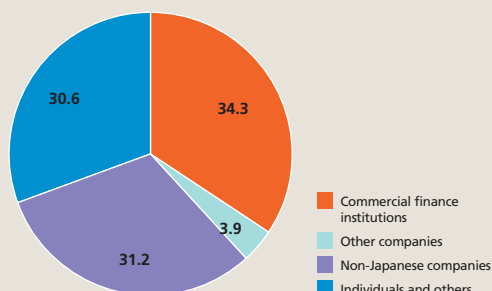
Transfer Agent: The Sumitomo Trust and Banking  
Company, Limited  
4-5-33, Kitahama, Chuo-ku,  
Osaka 541-0041, Japan

Principal Shareholders		(Thousands / %)
Name	Shareholdings	Percent of Total Shares Issued
Ryouichi Jinnai	15,000	11.91
Yumiko Jinnai	9,444	7.50
State Street Bank and Trust Company	7,771	6.17
Tsuyako Jinnai	5,983	4.75
Nippon Life Insurance Company	5,704	4.53
Shinsei Bank, Limited	5,682	4.51
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,451	4.33
The Sumitomo Trust & Banking Co., Ltd.	5,135	4.08
Japan Trustee Services Bank, Ltd. (Trust Account)	4,416	3.51
Salomon Smith Barney, Inc.	4,303	3.42
<b>Total</b>	<b>68,892</b>	<b>54.69</b>

Note: The shares held by Sumitomo Trust & Banking Co., Ltd., include 3,700 thousand shares (representing 2.94% of outstanding shares) that have been entrusted to Japan Trustee Services Bank, Ltd., in connection with an employee retirement benefit trust.

### Composition of Shareholders

(At March 31, 2003)  
(%)



	1999/3	2000/3	2001/3	2002/3	2003/3
Number of shares outstanding at term-end (thousands)	119,615	121,597	124,715	125,966	<b>125,966</b>
Commercial finance institutions	39,007	40,519	42,281	42,380	<b>43,196</b>
Percentage of total (%)	32.6	33.3	33.9	33.6	<b>34.3</b>
Other companies	7,935	6,836	6,366	4,851	<b>4,897</b>
Percentage of total (%)	6.6	5.6	5.1	3.9	<b>3.9</b>
Non-Japanese companies	24,095	25,992	28,278	40,171	<b>39,298</b>
Percentage of total (%)	20.1	21.4	22.7	31.9	<b>31.2</b>
Individuals and others	48,576	48,247	47,788	38,563	<b>38,574</b>
Percentage of total (%)	40.6	39.7	38.3	30.6	<b>30.6</b>
Number of shareholders	5,622	7,396	4,660	9,106	<b>9,422</b>



**PROMISE**

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**PROMISE CO., LTD.**

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