



Accelerating along the Path to Realizing Its Corporate Vision



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

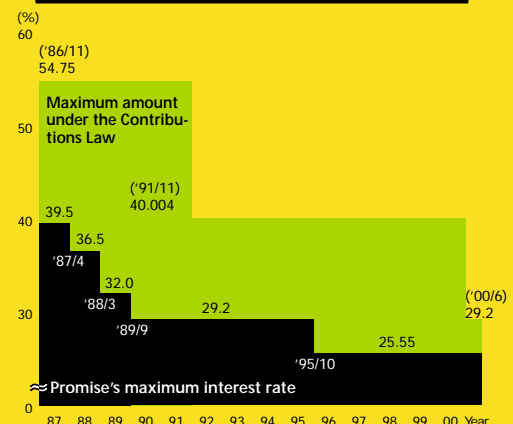


Amid this sweeping change in its operating environment, Promise has moved to expand its portfolio of products and services and further strengthen the financial operating base of the Promise Group. We have done this by acquiring medium-sized consumer finance firms and forging alliances with other leading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

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

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

Reductions in Maximum Interest Rates





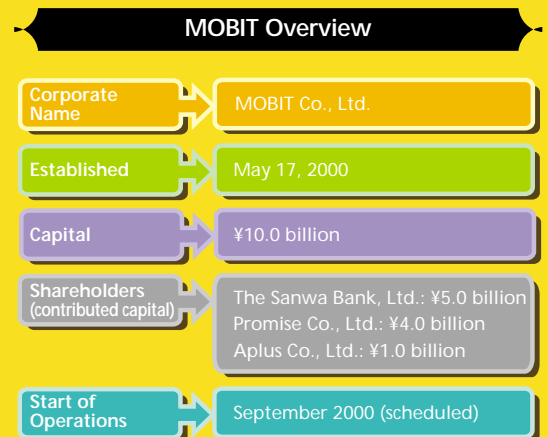
The new alliance with Sanwa Bank combines Promise's wealth of credit management expertise with Sanwa Bank's brand image and business channel development capabilities. Please comment in more detail on the business objectives of this new venture.

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



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

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





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



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

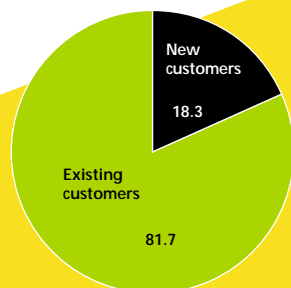
a sustained increase, rising 16.8% in the nine months from July 1999 through March 2000. Furthermore, the number of loan applications showed a strong rise during the same period, clearly demonstrating the effectiveness of the new VI program. Looking ahead, we intend to use strategic advertising and public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

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

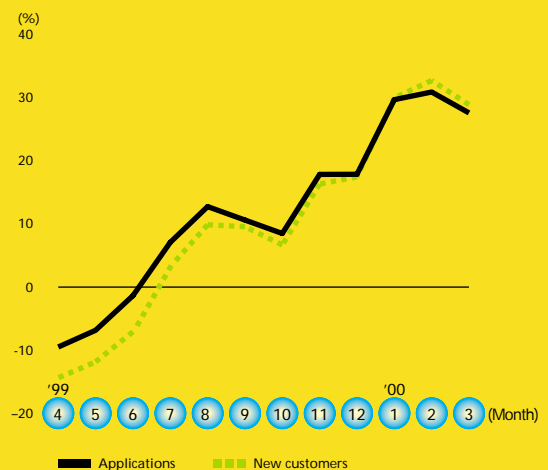
- * Percentage of those answering "Yes" to the survey question "Are you aware of the company Promise?"
- ** Percentage of those naming Promise in the survey question "Please name all the consumer finance companies that you know."
- *** One-year carryover rate calculated as the ratio of current loan customers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

Breakdown of Promise-JCB Credit Card Holders

(At March 31, 2000)
(%)



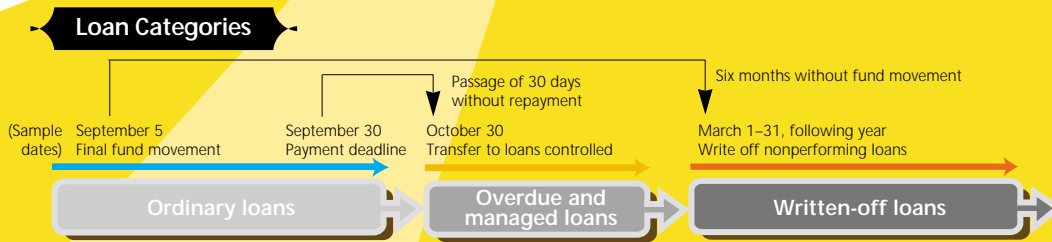
Year-on-Year Changes in Applications and New Customers





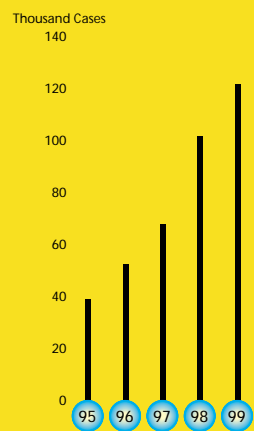
The annual number of personal bankruptcy filings over the past two years has exceeded 100,000, with filings in 1999 rising 18% from the previous year to approximately 122,000. What steps has Promise taken to minimize the manifestation of this trend as increased credit losses?

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



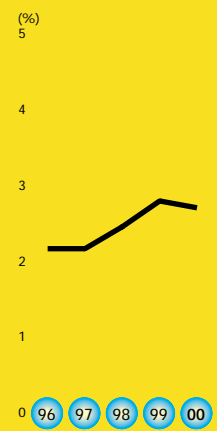
Note: Troubled receivables other than those abandoned due to death or personal bankruptcy continue to be managed.

Number of Personal Bankruptcies



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

Unsecured Loan Loss Ratio





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



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

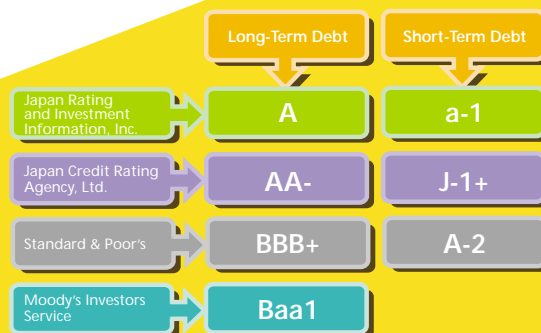
Furthermore, our issue of corporate bonds, coupled with the repayment of debt, resulted in our direct financing ratio rising from 8.3% at the end of the fiscal year ended March 31, 1999, to 21.3% at the end of the fiscal year ended March 31,

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

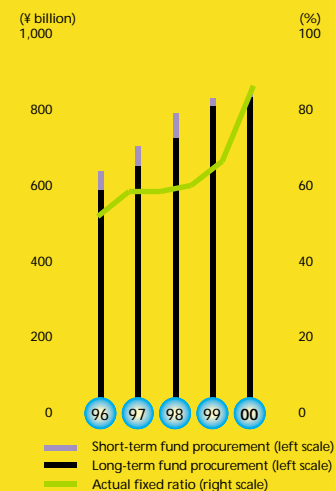
* Effective May 20, 1999, the Nonbank Bond Issuing Law pertains to the issue of corporate bonds by moneylenders to raise funds for use in their lending activities. Previously, the Contributions Law prohibited nonbank financial companies from issuing corporate bonds to procure funds for the purpose of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

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

Promise's Ratings by Mainstay Rating Agencies



Fund Procurement





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

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

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



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