



Operating Results

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

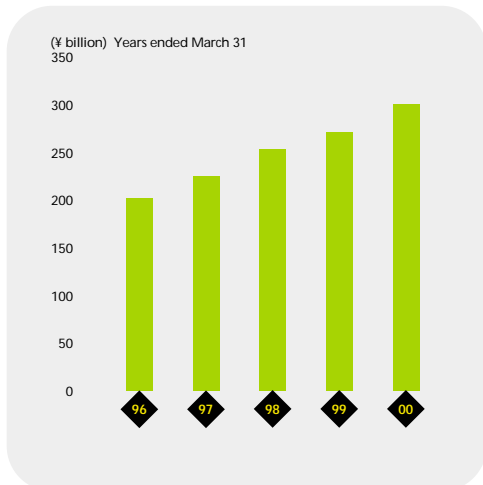
Total operating expenses rose 6.0%, or ¥10,997 million, to ¥194,697 million (\$1,834,167 thousand), well below the rate of operating income growth. The principal reason for this increase was higher general and administrative (G&A) expenses (to be mentioned later), which increased 10.4%, or ¥11,159 million,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

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

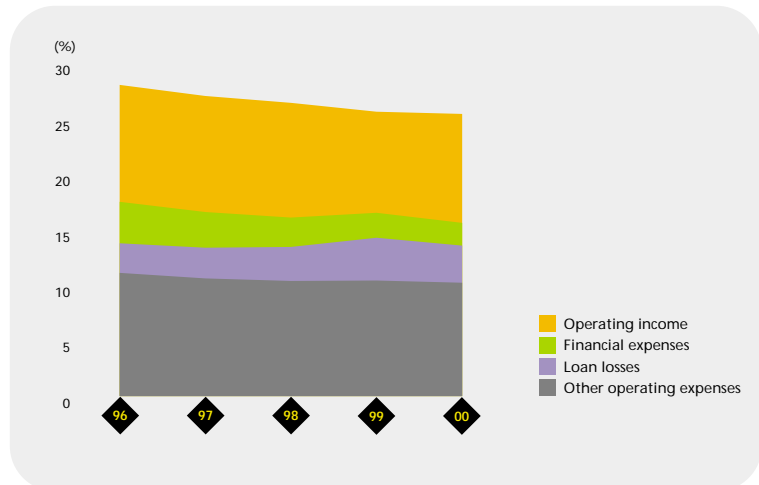
As previously mentioned, in G&A expenses, advertising expenses increased 13.8%, to ¥17,914 million (\$168,761 thousand), due to an aggressive television commercial campaign to promote our new corporate Visual Identity that adopts a distinctive yellow signage. Advertising expenses accounted for 15.2%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

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

Total Operating Income



Ratios to Average Consumer Loans Receivable



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

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

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

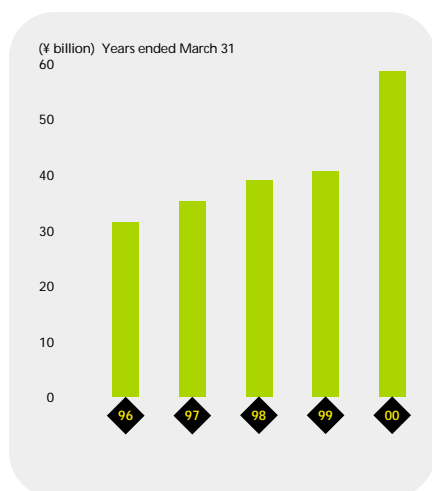
Financial Position

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

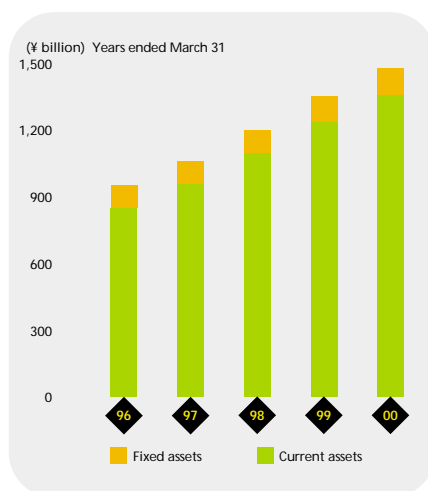
Total liabilities at the fiscal year-end increased ¥57,874 million, or 9.4% amounting to ¥1,039,758 million (US\$9,795,177 million). Short- and long-term interest bearing debt increased ¥54,001 million, or 5.9% to ¥970,598 million (US\$9,143,646 million) through funding and repayment. In contrast, accounts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

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

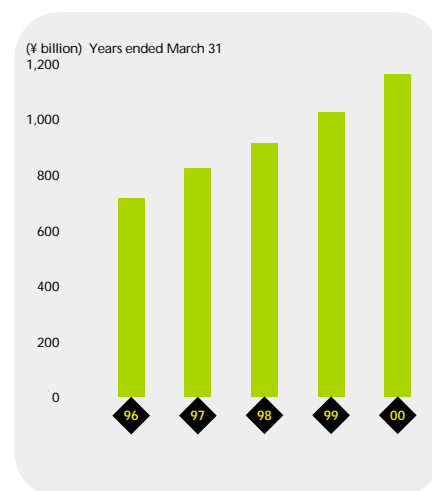
Net Income



Total Assets



Consumer Loans Receivable



Credit Losses Written-Off

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

Fund-Raising

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

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

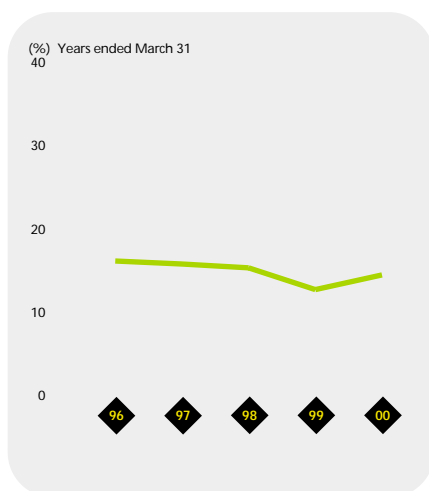
from the previous fiscal year-end. Of this total, 81.9% was fixed rate funding, 17.2% percentage points higher than for the previous fiscal year. This increase reflects the Company's policy of increasing the percentage of fixed rate funding to hedge against the possibility of increases in interest rates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

Cash Flows

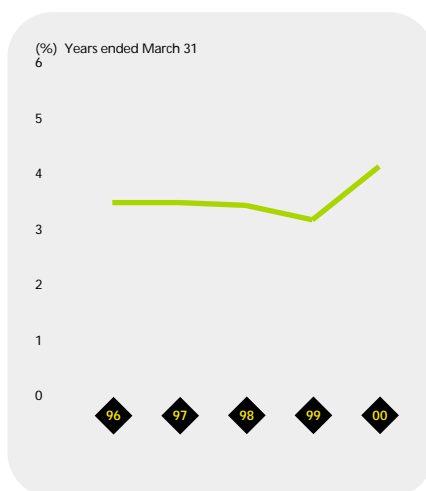
Net decrease in cash and cash equivalents was ¥31,829 million (\$299,846 thousand). This was due to an increase in consumer loan receivables, repayments of borrowings, and other factors. Cash and cash equivalents at the end of the year was ¥131,329 million (\$1,237,206 thousand).

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

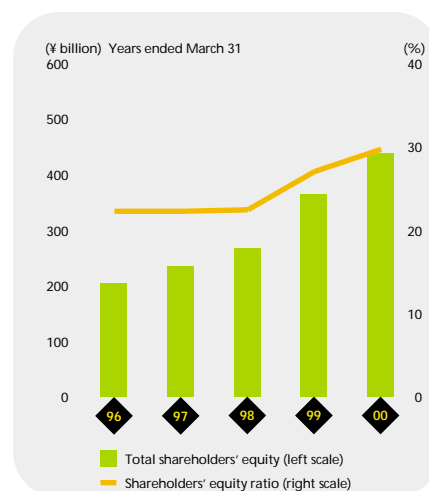
ROE



ROA



Shareholders' Equity/Equity Ratio



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

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

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

Capital Expenditures

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

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

Dividend Policy

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

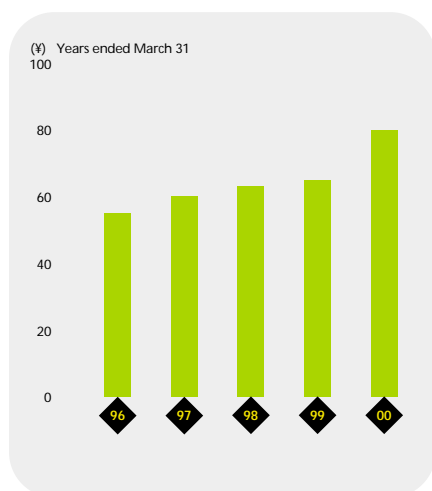
In view of performance for the year under review, we set cash dividends at ¥40 (\$0.38) per share for the second half of the fiscal year. A cash dividend of ¥40 was also paid for the first half of the fiscal year, consisting of regular dividend of ¥35 and a ¥5 dividend to commemorate the expansion of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

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

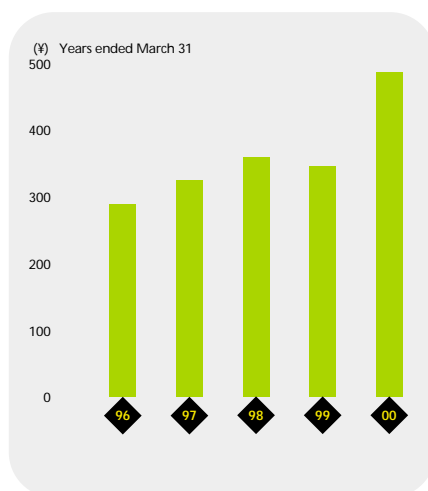
Year 2000 (Y2K) Compliance

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

Cash Dividends per Share



Net Income per Share



Shareholders' Equity per Share

