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Six-Year Summary (Consolidated Basis)

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

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

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

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

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

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

Six-Year Summary (Non-Consolidated Basis)

Promise Co., Ltd.
Years ended March 31

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

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

Consolidated Balance Sheets

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

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

The accompanying notes are an integral part of these statements.

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

Consolidated Statements of Income

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

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

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

	Number of shares of common stock	Millions of Yen			
		Common stock	Additional paid-in capital	Retained earnings	Treasury stock
Balance at March 31, 1998	108,615,061	¥13,558	¥23,363	¥231,949	¥(2)
Net income.....	—	—	—	40,632	—
Cash dividends paid.....	—	—	—	(7,472)	—
Bonuses to directors and statutory auditors	—	—	—	(172)	—
Proceeds from issuance of new shares	11,000,000	30,888	30,877	—	—
Increase due to inclusion of a company in the consolidation	—	—	—	979	—
Decrease due to inclusion of a company in the consolidation	—	—	—	(286)	—
Decrease in treasury stock	—	—	—	—	1
Balance at March 31, 1999	119,615,061	¥44,446	¥54,240	¥265,630	¥(1)
Net income.....	—	—	—	58,572	—
Cash dividends paid.....	—	—	—	(8,705)	—
Bonuses to directors and statutory auditors	—	—	—	(187)	—
Increase due to inclusion of a company in the consolidation	—	—	—	1,023	—
Conversion of convertible bonds.....	1,982,141	4,452	4,452	—	—
Increase due to adoption of deferred tax accounting	—	—	—	14,169	—
Increase in treasury stock.....	—	—	—	—	(0)
Balance at March 31, 2000	121,597,202	¥48,898	¥58,692	¥330,502	¥(1)

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

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

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

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

Promise Co., Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

The accounting records of Promise Co., Ltd. (the "Company") and its domestic consolidated subsidiaries are maintained in accordance with the provisions set forth in the Commercial Code of Japan (the "Commercial Code") and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

The accounts of overseas subsidiaries consolidated with the Company are based on the financial statements prepared in conformity with generally accepted accounting principles (the "GAAP") and practices prevailing in the countries where the subsidiaries have been incorporated. Financial statements have not been materially affected by the differences between the GAAP prevailing in these countries and Japanese GAAP. Therefore, no adjustments have been reflected in the accompanying consolidated financial statements to present the accounts of the subsidiaries in compliance with Japanese accounting principles and practices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Scope and Significant Accounting Policies

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

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

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

The remaining 6 unconsolidated subsidiaries at March 31, 2000 were not consolidated because their aggregate sales, total assets, total net income and total retained earnings available for the Company were not material to the consolidated results of operations, total assets, total net income and total retained earnings, respectively.

Any material difference between the cost of investment in a subsidiary and the equity in its net assets at the date of acquisition for the years ended March 31, 2000 and 1999 are amortized over 10 years and 5 years, respectively.

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

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

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

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

(2) Translation of Foreign Currency Financial Statements

The accounts of the overseas consolidated subsidiaries are translated into Japanese yen by the methods prescribed under the statements issued by the Business Accounting Deliberation Council of Japan. Under this method, balance sheet accounts are translated at current rates. However, shareholders' equity is translated at the historical rate. Differences arising from the translations are stated under the section entitled "Adjustments on foreign currency statement translation," which is cited in the accompanying consolidated balance sheets. Revenues and expenses are translated at the average rate for the year.

(3) Recognition of Revenues

(a) Interest income

Interest income on consumer loans is recognized when collections are made during each financial period. At the end of each financial period, the accrual basis is used to reflect the interest income earned, in accordance with Japanese tax practice, at the lower of interest rates provided by the Interest Rate Restriction Law of Japan or contracted interest rates, and any excess of contractual rates over statutory rates is not reflected for accounting purposes.

(b) Installment sales

Gross margins on installment sales are only recognized when the related installment receivables become due.

(4) Allowance for Credit Losses and Write-Offs

The allowance for credit losses of the Company and its domestic consolidated subsidiaries are provided in an amount equivalent to the maximum deduction allowed by tax laws, or in an amount deemed necessary to cover possible non-collectible accounts, based on management's judgment, whichever is greater.

Consumer loans are written off against the allowance for credit losses when both interest and principal of the loans have been unpaid for a specified period of time, or after follow-up requests for

payment, and/or uncollectibility of accounts is clearly demonstrated by conditions such as the customer's bankruptcy or death.

The written-off balances of these consumer loans are managed by the special collection department. This department makes an effort to collect the previously written-off balances as long as these balances are legally collectible. When the previously written-off balances and the related interest are subsequently recovered and collected, the collected amounts are included in "Other operating income" in the accompanying statements of income in the year of recovery.

The allowance for credit losses of the overseas consolidated subsidiaries is determined by estimates of management in amounts sufficient to cover possible losses on collection.

(5) Valuation of Securities

Securities listed on stock exchanges are valued at the lower of cost or market, cost being determined by the moving-average method. Other securities are valued at cost, which is determined by the moving-average method. However, if the market value of the securities substantially declines and the decline is deemed to be of a permanent nature, an appropriate write-down is required.

Under the "at the lower of cost or market" method, the comparison of cost with lower market value is made for specific securities, not on an aggregate basis.

(6) Property and Equipment

Property and equipment (other than new buildings acquired on or after April 1, 1998) are depreciated by the declining-balance method over the estimated useful lives of the assets as prescribed by tax laws. The estimated useful lives of the buildings are shortened by about 20% in conformity with 1998 tax changes. The range of useful lives is principally from 3 to 50 years for buildings and from 2 to 20 years for furniture, fixtures and equipment.

Effective from April 1, 1998, the Company changed its depreciation method for new buildings acquired on or after April 1, 1998 to the straight-line method. This change was made in order to be consistent with the 1998 tax changes.

The effect of the above change and shortening on the results of operations for the year ended March 31, 1999 were not material.

Normal repairs and maintenance including minor renewals and improvements are charged to income as incurred. Gain or loss on the disposal of property and equipment is recognized in the period of disposal.

(7) Investments in Unconsolidated Subsidiaries and Affiliates

Investments in unconsolidated subsidiaries and affiliates are carried at cost and are not adjusted for equity in earnings (loss) of such subsidiaries and affiliates for each fiscal year because the effect of applying the equity method is not material.

(8) Amortization

Amortization of computer software, which is included in "Other investments and advances" in the accompanying balance sheets, is principally computed on the straight-line method over 5 years, that being the estimated useful lives.

(9) Foreign Currency Translation

Foreign currencies and short-term receivables and payables (including the current portion of long-term debt) denominated in foreign currencies are translated into Japanese yen at the relevant exchange

rates prevailing at the respective balance sheet dates. The resulting transaction gains or losses are included in the determination of "Other operating income" ("Financial expenses") for the year.

Long-term receivables and payables denominated in foreign currencies, including investments in overseas subsidiaries, are translated at the historical rates prevailing at the transaction dates.

However, receivables and payables in foreign currencies which are hedged by forward exchange contracts are translated into yen at the contracted rate of exchange.

(10) Leases

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

(11) Accounting for Japanese Leveraged Leasing Transactions

The Company entered into several Tokumei Kumiai (which is provided by the Commercial Code §535 and is similar to a limited partnership) agreements with certain leasing companies with the objective of purchasing aircraft and leasing them to foreign aircraft companies as operating leases. The total amount of investments in Tokumei Kumiai as of March 31, 2000 was ¥2,787 million (\$26,259 thousand) and the contract terms range from 10 years to 18 years. Due to the fact that Tokumei Kumiai is designed to incur a loss in its early years of operation, the Company has recognized a substantial loss on such investments in proportion to its share in Tokumei Kumiai.

Investments in Tokumei Kumiai contracts are included in "Investments in equity other than capital stock" in the accompanying balance sheets. The Company accounts for income or losses under the Tokumei Kumiai contracts as "Equity in earnings (loss) of Tokumei Kumiai" in the accompanying financial statements for the period in which the accounting period of the Tokumei Kumiai ends. The accumulated losses from Tokumei Kumiai contracts aggregated ¥5,056 million (\$47,633 thousand) as of March 31, 2000. These losses are classified as "Non-current accounts payable" in the accompanying balance sheets.

(12) Income Taxes

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

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

(13) Accrued Severance Indemnities and Pension Plan

Under the terms of the retirement plan of the Company, employees of the Company with more than two years of service are generally entitled to lump-sum payments at the time of retirement.

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

The Company and GC Co., Ltd., have fully accrued severance indemnities that would be required if all eligible employees retired voluntarily at the balance sheet date, reduced by the estimated benefits provided by a non-contributory funded pension plan. The Company and GC Co., Ltd., have recognized pension contributions as expenses when accrued until the year ended March 31, 1999. Such liability is not funded.

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

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

The Company has a non-contributory funded pension plan to cover 90% of severance indemnities for employees who meet the following conditions. The pension plan of the Company provides for lump-sum payments or annual payments after retirement to the retiring employees who have reached the age of 60 (mandatory retirement age) or who have reached the age of 51, with at least 15 years of employment in the Company.

Effective March 1994, all the retirement benefits of GC Co., Ltd., have been shifted to be paid from the funded pension plan. The excess amount of the accrued severance indemnities of the subsidiary resulting therefrom was reversed into income at the rate of 30% per annum by the declining-balance method for the year ended March 31, 1999.

The directors and statutory auditors of the Company and GC Co., Ltd., are covered by a retirement benefit plan under which retiring directors or statutory auditors are entitled to receive lump-sum retirement benefits. The amount of such benefits is determined based on these companies' pertinent rules. The accrued

3. UNITED STATES DOLLAR AMOUNTS

The Company prepares its consolidated financial statements in Japanese yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetical results of translating yen into dollars at the rate of ¥106.15 to US\$1, being the effective rate of exchange at March

severance indemnities for the directors and statutory auditors in the accompanying balance sheets represent the estimated amount to be paid if all directors and statutory auditors retired at the balance sheet dates.

(14) Deferred Charge

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

(15) Bond Issue Expenses

Bond issue expenses are charged to income as incurred.

(16) Appropriation of Retained Earnings

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

The payment of bonuses to directors and statutory auditors is made out of retained earnings instead of being charged to income for the year and constitutes a part of the appropriations referred to above.

(17) Net Income and Dividend per Share

Basic net income per share is based upon the weighted average number of shares of common stock outstanding during each period, after appropriate retroactive adjustments for the stock splits made by the Company.

Diluted net income per share is based upon the weighted average number of shares of common stock outstanding during each period after consideration of the dilutive effect of the non-interest bearing convertible bonds.

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

(18) Cash Equivalents

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

(19) Reclassifications

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

31, 2000. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at the rate of ¥106.15 to US\$1 or at any other rate.

4. CONSUMER LOANS RECEIVABLE

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

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

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

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

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

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

5. ALLOWANCE FOR CREDIT LOSSES

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

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

6. SHORT-TERM INVESTMENTS AND INVESTMENTS IN SECURITIES

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

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

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

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

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

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

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

7. FINANCIAL INSTRUMENTS

The Company and PROMISE (HONG KONG) CO., LTD., entered into interest rate swap agreements to convert variable interest rates on the principal amount of certain debts to fixed interest rates. In addition, the Company enters into interest rate cap agreements.

These agreements are used to reduce the exposure to market risk from fluctuations in interest rates. The Companies do not hold or issue any financial instruments for trading purposes.

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

	Millions of Yen			
	Notional amount		Fair value	Unrealized loss
	Total	Due after one year		
Year ending March 31, 2000:				
Interest rate swap:				
Changing floating rates into fixed rate	¥ 2,907	¥ 600	¥(21)	¥ (21)
Interest rate cap:				
Purchased	140,000	140,000	904	(687)
	¥142,907	¥140,600	¥883	¥(708)
Year ending March 31, 1999:				
Interest rate swap:				
Changing floating rates into fixed rate	¥ 2,840	¥ 1,720	¥(40)	¥ (40)
Interest rate cap:				
Purchased	13,000	10,000	75	(82)
	¥15,840	¥11,720	¥ 35	¥(122)
	Thousands of U.S. Dollars			
	Notional amount		Fair value	Unrealized loss
	Total	Due after one year		
Year ending March 31, 2000:				
Interest rate swap:				
Changing floating rates into fixed rate.....	\$ 27,387	\$ 5,652	\$ (195)	\$ (195)
Interest rate cap:				
Purchased.....	1,318,888	1,318,888	8,515	(6,473)
	\$1,346,275	\$1,324,540	\$8,320	\$(6,668)

8. PROPERTY AND EQUIPMENT

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

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

9. FIXED LEASEHOLD DEPOSITS

Fixed leasehold deposits as of March 31, 2000 and 1999 were mainly those paid to the lessors in connection with the leases of facilities for office space. Lessors in Japan require large amounts

of leasehold deposits equivalent to several months' lease rental payments. Such leasehold deposits do not bear interest and are generally returnable only when the lease is terminated.

10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Information on the amount of short-term borrowings outstanding as of March 31, 2000 and 1999 is as follows:

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

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

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

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

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

Notes: 1. Annual interest rates on loans from banks and other financial institutions outstanding as of March 31, 2000 and 1999 ranged from 1.150% to 8.500% and from 0.710% to 4.900%, respectively.

2. The uncollateralized convertible yen bonds in the initial principal amount of ¥10,000 million due February 22, 2000 were issued on February 22, 1996, and are convertible into common stock of the Company. The conversion price was ¥4,492.00 (\$42.32) per share, which had been adjusted from ¥4,566.40, effective on June 19, 1998, due to the issuance of new shares.

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

The Companies' assets pledged as collateral for short-term bank loans, commercial paper and other and long-term loans with banks and other financial institutions as of March 31, 2000 and 1999 were as follows:

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

Note: * In addition to the above assets pledged, the Companies entered into the forward contract of assigning notes and accounts receivable and consumer loans receivable. The contract amounts were ¥345,645 million (\$3,256,199 thousand) and ¥415,270 million as of March 31, 2000 and 1999, respectively.

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

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

11. PENSION PLANS

The accumulated balances of fund assets of the funded pension plans of the Company aggregated ¥7,002 million (\$65,963 thousand), as of March 31, 2000, which is the date of the most recent actuarial valuation.

The accumulated balances of fund assets of the funded pension plans of GC Co., Ltd., aggregated ¥149 million (\$1,405 thousand),

as of March 31, 2000, which is the date of the most recent actuarial valuation.

The past service costs for these pension plans are being amortized at the rate of 30% per annum by the declining-balance method.

12. LEASE COMMITMENTS

(1) Rental, depreciation and interest expense relating to financing leases, which do not transfer ownership of the leased properties to the lessee during the terms of the leases, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Rental expense	¥2,570	¥2,535	\$24,213
Depreciation expense	2,302	2,299	21,685
Interest expense	252	198	2,378

The depreciation expense is computed by the straight-line method over the terms of the related leases. The interest expense is computed by the interest method.

The aggregate future lease payments as of March 31, 2000 and 1999 were as follows:

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

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

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

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

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

13. CONTINGENT LIABILITIES

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

14. SHAREHOLDERS' EQUITY

Under the Commercial Code, at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital.

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

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

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

The Commercial Code provides that an amount equal to at least 10% of cash dividends and other appropriations of retained earnings paid out with respect to each financial period be set aside in

a legal reserve until such reserve equals 25% of the amount of common stock. This reserve may be transferred to common stock by a resolution of the Board of Directors or used to reduce a deficit with the approval of a shareholders' meeting but is not available for dividend payments.

15. OTHER OPERATING INCOME

As described in Note 2 (4), the collected amounts are included in "Other operating income" in the accompanying statements of income in the year of recovery, when the previously written-off

balances of consumer loans and the related interest are subsequently recovered and collected.

These collected amounts for the years ended March 31, 2000 and 1999 were as follows:

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

16. FINANCIAL EXPENSES

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

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

17. GENERAL AND ADMINISTRATIVE EXPENSES

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

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

18. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of different taxes based on income, which in the aggregate indicate a normal effective statutory income tax rate of approximately 42% and 48% for the years ended March 31, 2000 and 1999, respectively. Foreign consolidated subsidiaries are subject to the income taxes of the countries in which they operate.

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

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

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

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

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

19. SEGMENT INFORMATION BY BUSINESS ACTIVITIES

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

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

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

	Millions of Yen				Consolidated
	Consumer finance business	Other business	Total	Adjustments and eliminations	
Operating income from:					
Outside customers	¥ 253,789	¥17,265	¥ 271,054	¥ —	¥ 271,054
Intersegment.....	—	1,217	1,217	(1,217)	—
Total	253,789	18,482	272,271	(1,217)	271,054
Operating expenses.....	155,462	17,904	173,366	10,334	183,700
Operating profit	¥ 98,327	¥ 578	¥ 98,905	¥(11,551)	¥ 87,354
Assets	¥1,258,034	¥45,881	¥1,303,915	¥ 46,581	¥1,350,496
Depreciation expenses.....	6,352	387	6,739	142	6,881
Capital expenditure	9,344	331	9,675	65	9,740

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

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

20. SUBSEQUENT EVENT

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

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

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

Report of the Independent Certified Public Accountants on the Consolidated Financial Statements of the Company

To the Board of Directors of
Promise Co., Ltd.

We have audited the accompanying consolidated balance sheets of Promise Co., Ltd. and its consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Promise Co., Ltd. and its consolidated subsidiaries as of March 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis, except for the change, with which we concur, in the method of accounting for accrued severance indemnities and pension plan as described in Note 2 (13).

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

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation Japan
June 28, 2000

Non-Consolidated Balance Sheets

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

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

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

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

Non-Consolidated Statements of Income

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

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

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

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

Non-Consolidated Statements of Shareholders' Equity

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

	Number of shares of common stock	Millions of Yen				
		Common stock	Additional paid-in capital	Legal reserve	Voluntary reserve	Retained earnings
Balance at March 31, 1998	108,615,061	¥13,558	¥23,363	¥ 3,256	¥185,800	¥39,039
Net income	—	—	—	—	—	40,175
Legal reserve	—	—	—	522	—	(522)
Cash dividends paid	—	—	—	—	—	(7,472)
Bonuses to directors and statutory auditors	—	—	—	—	—	(170)
Transfer to voluntary reserve	—	—	—	—	30,500	(30,500)
Proceeds from issuance of new shares	11,000,000	30,888	30,877	—	—	—
Balance at March 31, 1999	119,615,061	¥44,446	¥54,240	¥ 3,778	¥216,300	¥40,550
Net income	—	—	—	—	—	57,238
Legal reserve	—	—	—	7,791	—	(7,791)
Cash dividends paid	—	—	—	—	—	(8,705)
Bonuses to directors and statutory auditors	—	—	—	—	—	(175)
Transfer to voluntary reserve	—	—	—	—	24,500	(24,500)
Conversion of convertible bonds	1,982,141	4,452	4,452	—	—	—
Increase due to adoption of deferred tax accounting	—	—	—	—	—	13,681
Balance at March 31, 2000	121,597,202	¥48,898	¥58,692	¥11,569	¥240,800	¥70,298

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

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