

Strategic Progress Report



..... Accelerated Group Strategy



M&A

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

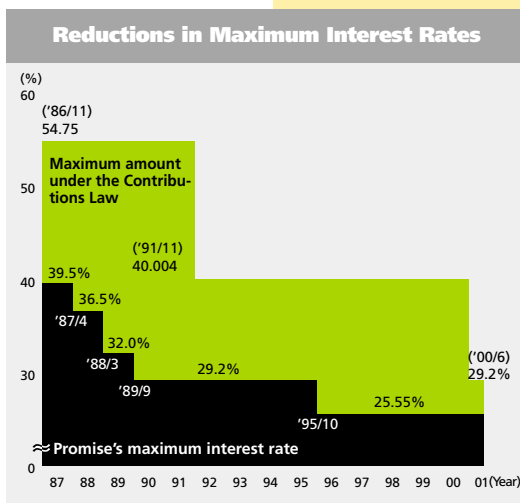
One of the primary factors behind our M&A program was the implementation, in June 2000, of the revised Contributions Law. Through this revision, the maximum allowable interest rate was lowered from 40.004% to 29.2% and, although there were about ten first-tier consumer finance companies already operating with interest rates below the revised legal maximum, the majority of the remaining second-tier

companies were not. Thus, most of these companies have been forced to reassess the status of their operations, which has, in turn, spurred a reshuffling throughout the industry.

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

standing for these three companies had reached ¥124.8 billion.

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



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



Q&A

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

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

Restructuring of Subsidiaries

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



take over Promise's rental properties to consolidate its role as a provider of operational support to companies throughout the Promise Group.

Overseas, Promise liquidated its Hong Kong subsidiary, PAL INVESTMENT COMPANY LIMITED, in May 2001. This company was established in 1996 to serve as a base from which to launch an agricultural development business, called HAINAN FRIENDSHIP FARM CO., LTD. However, as this business is to

be transferred, PAL INVESTMENT COMPANY is no longer needed and is undergoing liquidation.

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

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

MOBIT

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

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



Strategic Progress Report

.....Prioritized Strategic Approach

Strengthening the Corporate Brand Image and Expanding Services

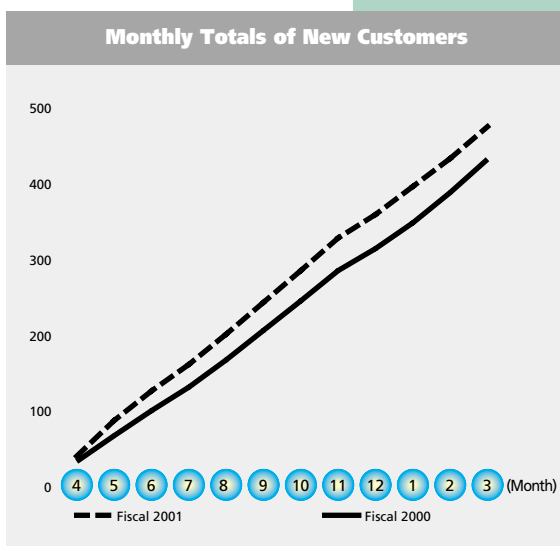
We are dedicated to boosting our earnings base by attracting new customers and improving our retention rate for existing customers. In order to accomplish this, the Company has prioritized its activities, placing special importance on strengthening its brand recognition through the VI program.

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



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

card offers a high degree of convenience and value.



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

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

channels, shortened its credit approval process, and, in February of the term under review, established an immediate transfer service. In this way, Promise has taken steps to enhance the convenience of its financial products.



Q&A

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

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

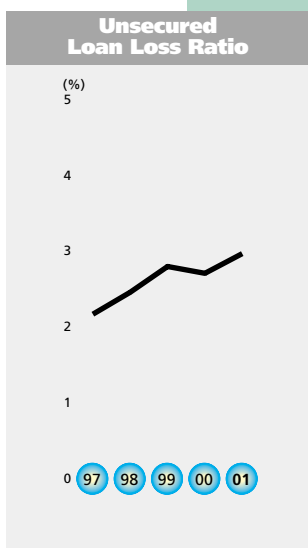
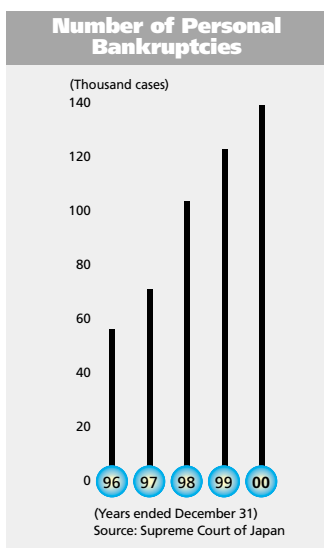
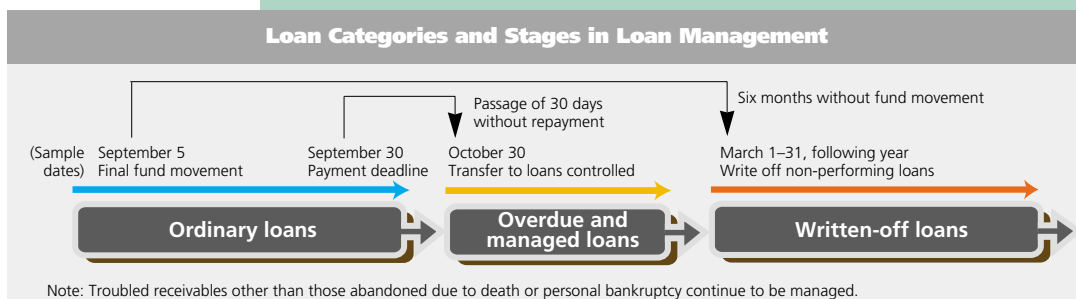
Credit Management

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

Throughout the term, the Japanese economy continued to stagnate. The number of personal bankruptcies increased at a slower rate than in previous years, but still grew more than 10% year on year. The ratio of write-offs for lost loans was 2.97%;



the allowance for bad debts was ¥46.5 billion; and the ratio of reserves grew slightly year on year, to 3.79%. This was due to the rising number of personal bankruptcies coupled with increases in the number of lost loans, which, in turn, resulted from persistently high unemployment levels. In the midst of this environment, Promise is using its sound credit management system to keep down the ratio of lost loans.



Hedging Risks Associated with Changes in the Environment for Fund Procurement

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

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

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

As part of its drive to diversify its funding sources, in February 2001 Promise had the Sumitomo Trust and Banking Co., Ltd., arrange a long-term three-year loan credit line with four banks, including some regional banks, for ¥15 billion. As of the end of the term, the total amount of funds secured through such credit lines

as this had reached over ¥60 billion, representing a larger base of procured funds and improved flexibility and stability in Promise's fund procurement channels.

