To Our Fellow Shareholders and Investors

During the fiscal year ended March 31, 2002, Japan experienced severe economic conditions, including the highest rate of unemployment to date, the lowest level of stock prices since the collapse of the bubble economy, and negative growth in GDP. In particular, the economy's further slide into recession since summer 2001 has brought an increase in the number of personal bankruptcies accompanying further deterioration in the employment environment. These developments have had an effect on Promise Co., Ltd.'s performance, and, as a result, the Company reported a decline in net income for the fiscal year under review. Nevertheless, we are steadily implementing strategies to achieve growth in the years ahead.

Turning to our performance during the fiscal year, amid a challenging operating environment, we were successful in increasing the number of our customers and our balance of consumer loans. At fiscal year-end, consolidated consumer loans outstanding stood at ¥1,543.3 billion, 8.8% above the level for the previous fiscal year. Total operating income for the year was ¥394.5 billion, a gain of 9.7% over the previous year, and income before income taxes rose 4.6%, to ¥112.3 billion. We believe these gains in performance are a reflection of a high appraisal of our corporate stance of responding to increasingly diverse customer needs with services carefully tailored to their requirements. However, the increase in the number of personal bankruptcies and settlements of claims through legal proceedings has been higher than anticipated. Accordingly, the parent company reported increased credit losses and made additions to the allowance for credit losses. As a consequence, operating profit declined 10.1%, to ¥114.5 billion, and net income decreased 2.9%, to ¥62.9 billion. These were the first declines in profitability since we listed our shares in 1993.

Amid this environment, the Promise Group is implementing effective strategies aimed at creating a new earnings structure for the future. Our consumer finance joint venture with UFJ Bank Limited, MOBIT Co., Ltd., which is developing the consumer loan market segment with interest rates of 15% and 18%, began operations in September 2000. MOBIT has subsequently steadily expanded its customer base. At the end of the fiscal year under review, MOBIT had 89,000 customer accounts, and its consumer loans outstanding had risen to ¥64.1 billion. For the fiscal year ending March 31, 2003, MOBIT's consumer loans outstanding are expected to exceed ¥110.0 billion, and it will show its first profit for a full-year period. MOBIT is moving forward aggressively with the development of its target market segment, drawing fully on Promise's credit analysis and administrative know-how and UFJ Bank's brand and service delivery channel capabilities.

In addition, in April 2002, we merged three consumer finance subsidiaries, Rich Co., Ltd., Shinkou Co., Ltd., and TOWA Co., Ltd., which were acquired previously, to form a new consumer finance company, Plat Corporation. This newly created company will focus on providing loans with an interest rate of 29.2% and conducting low-cost operations. We have reduced the number of branches formerly operated by the three companies from 194 to 81 and given Plat's customers access to Promise's nationwide network of automated contract machines and ATMs, thus enabling them to conclude loan contracts and make repayments and loan withdrawals conveniently. These measures have significantly increased Plat's cost efficiency and customer-drawing power.

We are therefore aiming to expand our share of the consumer finance market by implementing a unique business model involving the development of our activities using three brands: MOBIT, Promise, and Plat. Thus, as we also focus on increasing the quality of our assets, we are working to build a new foundation for growth. The merits of this business model have been recognized in the United States, the most advanced country in finance globally, and, since April 2001, this business model has become the subject of case studies on several occasions in the MBA course at Harvard Business School.

The path toward recovery in the Japanese economy is still not in view, but the Promise Group is devoting its resources to implement strategies that will further improve its financial position and, through active marketing efforts, is working to improve its performance.

We have decided to pay a cash dividend of ¥100 per common share, including a commemorative 40-year anniversary dividend, for the fiscal year. As a result, we will have increased our dividend for eight consecutive years. Moreover, as a result of careful consideration of market conditions, we made the decision to reduce our share-trading unit from 100 shares to 50. We will implement this reduction in August 2002 and expect it to increase liquidity and expand our shareholder base.

Although economic conditions will continue to require careful monitoring, we are moving forward to develop systems that can respond flexibly to all kinds of economic environments. We are fully committed to devoting our fullest efforts and resources to respond to the expectations of our shareholders and investors.

July 2002

Masaaki Uchino,
Chairman and Representative Director

Hiroki Jinnai,
President and Representative Director