

## Financial Section

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## Six-Year Summary (Consolidated Basis)

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

	Millions of Yen					
	2002	2001	2000	1999	1998	1997
<b>Results of Operations:</b>						
Interest on consumer loans .....	¥ 362,760	¥ 327,821	¥ 271,743	¥ 244,570	¥ 224,079	¥ 201,026
Other operating income .....	19,449	19,199	15,202	11,513	9,961	9,149
Total operating income .....	394,495	359,641	300,724	271,054	253,086	225,009
Financial expenses .....	24,868	26,714	23,932	23,108	23,752	25,201
General and administrative expenses .....	147,493	138,407	118,073	106,914	95,204	85,570
Credit losses including provision for uncollectible loans .....	96,996	55,990	40,483	40,764	28,751	22,379
Total operating expenses .....	279,977	232,223	194,697	183,700	164,692	146,186
Operating profit .....	114,518	127,418	106,027	87,354	88,394	78,823
Income before income taxes .....	112,308	107,392	103,201	84,561	83,852	75,152
Net income .....	62,941	64,845	58,572	40,632	38,941	35,124
<b>Financial Position:</b>						
Consumer loans receivable: Principal .....	¥1,543,288	¥1,418,656	¥1,159,253	¥1,025,452	¥ 913,564	¥ 821,857
Allowance for credit losses .....	87,213	61,349	44,411	39,112	30,244	25,016
Total current assets .....	1,703,180	1,565,165	1,354,961	1,234,842	1,095,008	954,833
Total investments and advances .....	70,304	54,644	48,288	38,897	32,663	34,324
Property and equipment, net .....	45,371	44,354	59,907	61,042	60,131	59,004
Fixed leasehold deposits .....	14,922	15,231	13,166	13,509	13,247	11,712
Total assets .....	1,833,777	1,679,394	1,477,849	1,350,496	1,201,075	1,059,873
Short-term borrowings and current portion of long-term debt .....	265,958	305,114	287,781	316,953	294,515	252,041
Total current liabilities .....	340,165	354,540	339,370	365,035	341,826	300,834
Long-term debt .....	898,915	789,160	682,817	599,635	568,666	500,550
Total long-term liabilities .....	918,746	807,350	700,388	616,849	586,195	519,403
Total shareholders' equity .....	574,866	517,504	438,091	364,315	268,868	235,300
<b>Other Financial Data and Indicators:</b>						
Depreciation and amortization .....	8,611	9,266	9,547	8,523	7,779	6,183
Ratio of non-consolidated to consolidated operating income (Times) .....	1.24	1.22	1.13	1.13	1.14	1.13
Ratio of non-consolidated to consolidated net income (Times) .....	1.02	1.02	1.02	1.01	1.00	1.01
Return on equity (ROE) (%) .....	11.52	13.57	14.59	12.83	15.44	15.90
Return on assets (ROA) (%) .....	3.58	4.10	4.14	3.18	3.44	3.49
<b>Amount per Share (Yen):</b>						
Net income, basic .....	¥ 504.78	¥ 525.02	¥ 486.92	¥ 346.59	¥ 359.31	¥ 324.08
Cash dividends .....	100.00	90.00	80.00	65.00	63.00	60.00

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 amount for fiscal 1997 was ¥141 million. However, there has been no restatement of figures for this fiscal year.

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 amount for fiscal 1997 was ¥97 million. However, there has been no restatement of figures for this fiscal year.

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

4. Net income, basic, 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					
	2002	2001	2000	1999	1998	1997
<b>Results of Operations:</b>						
Interest on consumer loans .....	¥ 306,847	¥ 282,664	¥ 256,414	¥ 230,583	¥ 212,314	¥191,401
Other operating income .....	9,400	10,110	8,585	7,740	8,016	7,496
Total operating income .....	316,247	292,774	264,999	238,323	220,330	198,897
Financial expenses .....	21,179	22,069	21,298	20,882	22,064	23,673
General and administrative expenses .....	114,276	110,700	106,496	96,853	86,529	78,005
Credit losses including provision for uncollectible loans .....	76,627	43,827	34,866	35,874	25,597	20,305
Total operating expenses .....	212,082	176,596	162,660	153,609	134,190	121,983
Operating profit .....	104,165	116,178	102,339	84,714	86,140	76,914
Income before income taxes .....	106,423	101,853	100,303	82,971	82,423	73,876
Net income .....	61,250	63,521	57,238	40,175	38,668	34,690
<b>Financial Position:</b>						
Consumer loans receivable: Principal .....	¥1,324,663	¥1,228,026	¥1,100,546	¥ 976,614	¥ 866,634	¥784,201
Allowance for credit losses .....	68,000	46,500	39,110	35,170	27,790	23,750
Total current assets .....	1,529,481	1,381,819	1,228,030	1,132,240	1,005,394	883,571
Total investments and advances .....	98,302	77,582	54,522	42,269	35,895	37,455
Property and equipment, net .....	30,305	31,886	58,220	59,496	58,323	57,877
Fixed leasehold deposits .....	12,393	12,632	12,344	12,491	12,273	10,767
Total assets .....	1,670,481	1,503,919	1,354,079	1,248,422	1,111,885	989,670
Short-term borrowings and current portion of long-term debt .....	221,217	245,107	231,414	267,924	258,198	226,975
Total current liabilities .....	279,035	279,881	269,247	305,872	295,195	260,411
Long-term debt .....	821,402	707,247	638,262	566,124	534,275	479,137
Total long-term liabilities .....	838,557	722,706	654,575	583,236	551,674	497,900
Total shareholders' equity .....	552,889	501,332	430,257	359,314	265,016	231,359
<b>Other Financial Data:</b>						
Credit losses written off .....	55,126	36,437	29,815	27,644	21,556	17,405
Return on equity (ROE) (%) .....	11.62	13.63	14.50	12.87	15.58	15.98
Return on assets (ROA) (%) .....	3.85	4.44	4.40	3.40	3.68	3.68
<b>Amount per Share (Yen):</b>						
Net income, basic .....	¥ 491.09	¥ 513.24	¥ 475.84	¥ 342.69	¥ 356.78	¥ 320.08
Shareholders' equity .....	4,401.48	4,019.80	3,538.37	3,003.91	2,439.95	2,348.15
Payout ratio (%) .....	20.40	17.55	16.91	19.35	16.92	17.04

Net income, basic, 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, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 4) .....	¥ 124,390	¥ 103,968	\$ 933,505
Time deposits (Note 12) .....	7,344	9,572	55,114
Receivables and consumer loans:			
Notes and accounts receivable (Notes 5 and 12) .....	53,654	52,293	402,660
Consumer loans receivable (Notes 6 and 12):			
Principal .....	1,543,288	1,418,656	11,581,901
Accrued interest income .....	15,734	13,259	118,075
Less: Allowance for credit losses (Note 7) .....	(86,667)	(61,138)	(650,410)
	<b>1,526,009</b>	<b>1,423,070</b>	<b>11,452,226</b>
Prepaid expenses .....	3,099	3,221	23,257
Deferred tax assets (Note 19) .....	31,329	16,789	235,113
Other current assets .....	11,009	8,545	82,620
<b>Total current assets</b> .....	<b>1,703,180</b>	<b>1,565,165</b>	<b>12,781,835</b>
<b>Investments and advances:</b>			
Investments in securities (Notes 8 and 12) .....	24,299	18,661	182,358
Investments in and advances to unconsolidated subsidiaries and affiliates .....	7,805	6,059	58,575
Investments in equity other than capital stock .....	2,507	3,419	18,816
Long-term prepaid expenses .....	1,059	1,614	7,951
Excess investment cost over net assets of consolidated subsidiaries acquired, net .....	6,557	6,158	49,205
Deferred tax assets (Note 19) .....	4,999	1,563	37,516
Other investments and advances .....	23,624	17,381	177,285
Less: Allowance for credit losses (Note 7) .....	(546)	(211)	(4,097)
<b>Total investments and advances</b> .....	<b>70,304</b>	<b>54,644</b>	<b>527,609</b>
<b>Property and equipment, net</b> (Notes 10 and 12) .....	<b>45,371</b>	<b>44,354</b>	<b>340,493</b>
<b>Fixed leasehold deposits</b> (Note 11) .....	<b>14,922</b>	<b>15,231</b>	<b>111,991</b>
<b>Total assets</b> .....	<b>¥1,833,777</b>	<b>¥1,679,394</b>	<b>\$13,761,928</b>

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Note 12) .....	¥ 21,732	¥ 32,609	\$ 163,089
Current portion of long-term debt (Note 12) .....	244,226	272,505	1,832,837
Accounts payable:			
Trade.....	3,364	1,145	25,247
Other .....	9,404	9,456	70,571
	12,768	10,601	95,818
Accrued income taxes (Note 19) .....	42,544	20,496	319,277
Accrued expenses.....	7,720	8,423	57,938
Other current liabilities .....	11,175	9,906	83,872
<b>Total current liabilities</b> .....	<b>340,165</b>	<b>354,540</b>	<b>2,552,831</b>
<b>Long-term liabilities:</b>			
Long-term debt (Note 12).....	898,915	789,160	6,746,082
Non-current accounts payable .....	2,770	3,576	20,785
Accrued severance indemnities (Note 13).....	15,073	12,951	113,119
Other long-term liabilities .....	1,988	1,663	14,916
<b>Total long-term liabilities</b> .....	<b>918,746</b>	<b>807,350</b>	<b>6,894,902</b>
<b>Commitments</b> (Notes 6, 12 and 14)			
<b>Shareholders' equity</b> (Note 15):			
Common stock:			
Authorized—300,000,000 shares			
Issued—125,966,665 shares at March 31, 2002.....	49,054	—	368,133
—124,715,592 shares at March 31, 2001 .....	—	49,054	—
Additional paid-in capital.....	92,288	82,484	692,589
Retained earnings.....	436,003	384,668	3,272,072
Net unrealized gain on securities .....	1,058	4,518	7,938
Adjustments on foreign currency financial statement translation.....	172	(299)	1,295
Less: Treasury stock			
(468,286 shares in 2002 and 351,003 shares in 2001).....	(3,709)	(2,921)	(27,832)
<b>Total shareholders' equity</b> .....	<b>574,866</b>	<b>517,504</b>	<b>4,314,195</b>
<b>Total liabilities and shareholders' equity</b> .....	<b>¥1,833,777</b>	<b>¥1,679,394</b>	<b>\$13,761,928</b>

## Consolidated Statements of Income

Promise Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
<b>Operating income:</b>			
Interest on consumer loans.....	¥362,760	¥327,821	\$2,722,405
Sales.....	12,286	12,621	92,205
Other operating income (Note 16).....	19,449	19,199	145,955
<b>Total operating income</b> .....	<b>394,495</b>	<b>359,641</b>	<b>2,960,565</b>
<b>Operating expenses:</b>			
Financial expenses (Note 17).....	24,868	26,714	186,628
Cost of sales.....	10,620	11,112	79,700
General and administrative expenses (Note 18).....	147,493	138,407	1,106,895
Credit losses including provision for uncollectible loans (Note 7).....	96,996	55,990	727,924
<b>Total operating expenses</b> .....	<b>279,977</b>	<b>232,223</b>	<b>2,101,147</b>
<b>Operating profit</b> .....	<b>114,518</b>	<b>127,418</b>	<b>859,418</b>
<b>Other income (expenses):</b>			
Interest and dividend income on investments.....	279	335	2,097
Amortization of deferred charge.....	—	(963)	—
Interest expense.....	(498)	(498)	(3,735)
Equity in earnings of Tokumei Kumiai.....	1,093	1,862	8,200
Net gain on sales of investments in securities.....	1,846	1,956	13,854
Net loss on sales or disposal of property and equipment.....	(1,049)	(18,242)	(7,871)
Past service cost of retirement benefits.....	—	(709)	—
Equity in net loss of affiliated companies.....	(3,164)	(3,154)	(23,741)
Gain on liquidation of unconsolidated subsidiaries.....	—	639	—
Impairment loss on deposits for golf club membership.....	(217)	(1,110)	(1,632)
Other, net.....	(500)	(142)	(3,756)
<b>Total other expenses, net</b> .....	<b>(2,210)</b>	<b>(20,026)</b>	<b>(16,584)</b>
<b>Income before income taxes</b> .....	<b>112,308</b>	<b>107,392</b>	<b>842,834</b>
<b>Income taxes (Note 19):</b>			
Current.....	64,461	42,888	483,760
Deferred.....	(15,094)	(341)	(113,281)
<b>Net income</b> .....	<b>¥ 62,941</b>	<b>¥ 64,845</b>	<b>\$ 472,355</b>
		Yen	U.S. Dollars (Note 3)
<b>Amount per share:</b>			
Net income:			
Basic.....	¥504.78	¥525.02	\$3.79
Diluted.....	503.23	—	3.78
Cash dividends.....	100.00	90.00	0.75
<b>Weighted average number of shares (Thousands):</b>			
Basic.....	124,691	123,510	
Diluted.....	125,075	—	

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, 2002 and 2001

	Millions of Yen						
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gain on securities	Adjustments on foreign currency financial statement translation	Treasury stock
<b>Balance at March 31, 2000</b> .....	121,597,202	¥48,898	¥58,692	¥330,502	¥ —	¥ —	¥ (1)
Net income.....	—	—	—	64,845	—	—	—
Cash dividends paid.....	—	—	—	(10,421)	—	—	—
Bonuses to directors and corporate auditors .....	—	—	—	(258)	—	—	—
Issuance of new shares through stock exchange...	3,118,390	156	13,544	—	—	—	—
Increase due to valuation of securities, net of tax...	—	—	—	—	4,518	—	—
Stock exchange adjustments.....	—	—	10,248	—	—	—	—
Adjustments on foreign currency financial statement translation.....	—	—	—	—	—	(299)	—
Increase in treasury stock.....	—	—	—	—	—	—	(2,920)
<b>Balance at March 31, 2001</b> .....	124,715,592	¥49,054	¥82,484	¥384,668	¥4,518	¥(299)	¥(2,921)
Net income.....	—	—	—	62,941	—	—	—
Cash dividends paid.....	—	—	—	(11,815)	—	—	—
Bonuses to directors and corporate auditors .....	—	—	—	(260)	—	—	—
Increase due to inclusion of a newly consolidated company.....	—	—	—	469	—	—	—
Issuance of new shares through stock exchange...	1,251,073	—	8,720	—	—	—	—
Decrease due to valuation of securities, net of tax ..	—	—	—	—	(3,460)	—	—
Stock exchange adjustments.....	—	—	1,084	—	—	—	—
Adjustments on foreign currency financial statement translation.....	—	—	—	—	—	471	—
Increase in treasury stock.....	—	—	—	—	—	—	(788)
<b>Balance at March 31, 2002</b> .....	125,966,665	¥49,054	¥92,288	¥436,003	¥1,058	¥ 172	¥(3,709)

	Thousands of U.S. Dollars (Note 3)						
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gain on securities	Adjustments on foreign currency financial statement translation	Treasury stock	
<b>Balance at March 31, 2001</b> .....	\$368,133	\$619,016	\$2,886,811	\$33,907	\$(2,241)	\$(21,918)	
Net income .....	—	—	472,355	—	—	—	
Cash dividends paid .....	—	—	(88,665)	—	—	—	
Bonuses to directors and corporate auditors.....	—	—	(1,952)	—	—	—	
Increase due to inclusion of a newly consolidated company .....	—	—	3,523	—	—	—	
Issuance of new shares through stock exchange .....	—	65,440	—	—	—	—	
Decrease due to valuation of securities, net of tax .....	—	—	—	(25,969)	—	—	
Stock exchange adjustments .....	—	8,133	—	—	—	—	
Adjustments on foreign currency financial statement translation .....	—	—	—	—	3,536	—	
Increase in treasury stock .....	—	—	—	—	—	(5,914)	
<b>Balance at March 31, 2002</b> .....	\$368,133	\$692,589	\$3,272,072	\$ 7,938	\$ 1,295	\$(27,832)	

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, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
<b>Operating activities:</b>			
Income before income taxes .....	¥112,308	¥107,392	\$ 842,834
Adjustments for:			
Depreciation and amortization .....	8,611	9,266	64,622
Provision for credit loss on receivables and consumer loans .....	24,695	7,200	185,326
Provision for accrued severance indemnities .....	1,956	2,959	14,678
Equity in earnings of Tokumei Kumiai .....	(1,093)	(1,862)	(8,200)
Net gain on sales of investments in securities .....	(1,846)	(1,956)	(13,854)
Net loss on sales or disposal of property and equipment .....	1,049	18,242	7,871
Equity in net loss of affiliated companies .....	3,164	3,154	23,741
Gain on liquidation of unconsolidated subsidiaries .....	—	(639)	—
Impairment loss on deposits for golf club membership .....	(217)	1,110	(1,632)
Increase in consumer loans receivable: Principal .....	(103,007)	(136,769)	(773,039)
Decrease (increase) in notes and accounts receivable .....	(7,665)	4,699	(57,520)
Increase in accounts payable .....	1,642	249	12,326
Income taxes paid .....	(42,780)	(47,666)	(321,053)
Other, net .....	(3,966)	3,059	(29,751)
<b>Net cash used in operating activities .....</b>	<b>(7,149)</b>	<b>(31,562)</b>	<b>(53,651)</b>
<b>Investing activities:</b>			
Payment for purchases of property and equipment .....	(6,560)	(6,902)	(49,230)
Proceeds from sales of property and equipment .....	108	307	810
Payment for purchase of investments in securities .....	(19,200)	(6,349)	(144,091)
Proceeds from sales of investments in securities .....	4,743	8,382	35,596
Acquisition of shares of subsidiaries resulted in the change in scope of consolidation .....	—	(3,798)	—
Proceeds from issuance of new shares through stock exchange, net of cash acquired .....	2,002	6,195	15,028
Increase in loans .....	(520)	(6,314)	(3,902)
Decrease (increase) in other investments .....	6,417	(1,256)	48,153
<b>Net cash used in investing activities .....</b>	<b>(13,010)</b>	<b>(9,735)</b>	<b>(97,636)</b>
<b>Financing activities:</b>			
Proceeds from long-term debt .....	324,335	323,708	2,434,035
Repayments of long-term debt .....	(250,384)	(360,086)	(1,879,053)
Proceeds from issuance of bonds, net of expenses .....	84,490	71,547	634,068
Redemption of bonds .....	(30,000)	—	(225,141)
Decrease in short-term borrowings .....	(76,978)	(6,748)	(577,695)
Increase in treasury stock .....	(10)	(2,920)	(77)
Cash dividends paid .....	(11,815)	(10,421)	(88,665)
Increase in other financing activities .....	298	—	2,236
<b>Net cash provided by financing activities .....</b>	<b>39,936</b>	<b>15,080</b>	<b>299,708</b>
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>86</b>	<b>54</b>	<b>645</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>19,863</b>	<b>(26,163)</b>	<b>149,066</b>
<b>Cash and cash equivalents at beginning of the year .....</b>	<b>103,968</b>	<b>131,329</b>	<b>780,248</b>
<b>Effect of the increase (decrease) in scope of consolidated subsidiaries .....</b>	<b>559</b>	<b>(1,198)</b>	<b>4,191</b>
<b>Cash and cash equivalents at end of the year .....</b>	<b>¥124,390</b>	<b>¥103,968</b>	<b>\$ 933,505</b>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the year for:			
Interest .....	¥ 23,763	¥ 24,608	\$ 178,339
<b>Major non-cash financing activities:</b>			
Increase in common stock through stock exchange .....	—	156	—
Increase in additional paid-in capital through stock exchange .....	9,804	23,792	73,573

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 ("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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) Scope and Significant Accounting Policies

The Company had 15 subsidiaries and 3 affiliates as of March 31, 2002 and 14 subsidiaries and 3 affiliates as of March 31, 2001. The accompanying consolidated financial statements include the accounts of the Company and 11 (9 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
Shinkou Co., Ltd.	Japan	March 31
Rich Co., Ltd.	Japan	March 31
TOWA Co., Ltd.* <sup>1</sup>	Japan	March 31
Sun Life Co., Ltd.* <sup>2</sup>	Japan	March 31
PAL Corporation Ltd.	Japan	March 31
Net Future Co., Ltd.	Japan	March 31
System Trinity Co., Ltd.* <sup>3</sup>	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

Notes: \*<sup>1</sup> Effective from the year ended March 31, 2001, the equity method was used for the consolidation of TOWA Co., Ltd., since the Company acquired additional shares in TOWA Co., Ltd. in January 2001, following its initial acquisition of 25.69% of the shares in April 2000.

\*<sup>2</sup> Sun Life Co., Ltd. has been included in consolidation from December 17, 2001, the date on which Sun Life Co., Ltd. became a wholly owned subsidiary of the Company through a stock exchange.

\*<sup>3</sup> System Trinity Co., Ltd. has been included in consolidation from the year ended March 31, 2002.

The remaining 4 unconsolidated subsidiaries at March 31, 2002 were not consolidated because their aggregate amount of sales, assets, net income and retained earnings were not material to the consolidated results of operations, total assets, net income and retained earnings, respectively.

On the acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair value.

Any material difference between the cost of investment in a subsidiary and the equity in its net assets at the date of acquisition is amortized over 10 years.

For the purpose of preparing the accompanying consolidated financial statements, all significant intercompany transactions,

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.

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.

account balances and unrealized profits among the Companies have been eliminated. The amounts of certain subsidiaries have been included in consolidation on the basis of their fiscal periods ended three months prior to March 31.

### (2) Application of the Equity Method

Investments in companies that the Company has significant influence or ownership of more than 20% but less than or equal to 50% are accounted for under the equity method. An affiliate accounted for under the equity method is listed below:

Name	Country of incorporation	Equity ownership percentage at March 31, 2002	Fiscal year-end
MOBIT Co., Ltd.	Japan	45.00%	March 31

Under the equity method, investments are stated at cost plus/minus the Company's equity in undistributed earnings (losses).

Any material difference between the cost of investment in an affiliated company and the equity in its net assets at the date of acquisition is amortized over 10 years.

Investments in 4 unconsolidated subsidiaries and the remaining 2 affiliates as of March 31, 2002 and 5 unconsolidated subsidiaries and 2 affiliates as of March 31, 2001 are carried at cost and are not adjusted for equity in earnings (losses) of such subsidiaries and affiliates for each period because the effect of applying the equity method is not material.

### (3) Translation of Foreign Currency Financial Statements

The accounts of 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, shareholders' equity is translated at the historical rate and revenues and expenses are translated at the average rate for the respective periods.

Differences arising from the translations are recorded "Adjustments on foreign currency financial statement translation" in shareholders' equity.

#### **(4) 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 practices, 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.

#### **(5) Allowance for Credit Losses and Write-Offs**

The allowance for credit losses of the Company and its consolidated subsidiaries are provided in an amount deemed necessary to cover possible non-collectible accounts, based on the percentage of their own actual experience of bad debt loss written off against the balance of receivables and consumer loans.

Consumer loans are written off against the allowance for credit losses when both interest and principal of the loans have been unpaid for a certain 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.

#### **(6) Valuation of Securities**

All equity securities and debt securities are classified as "Other securities" which represents securities other than trading or held-to-maturity securities.

The Company and its domestic subsidiaries have adopted the Financial Accounting Standard on "Accounting for Financial Instruments" issued by the Business Accounting Deliberation Council. Following the standard, the Company and its domestic subsidiaries management determine the appropriate classification of securities and records trading securities in current assets and other securities as investments in securities.

Marketable "Other securities" are stated at market value. Adjustments to market value are recorded as an increase or a decrease in shareholders' equity, net of tax. Under the Commercial Code, unrealized holdings gains on securities, net of tax, are not available for distribution as dividends and bonuses to directors and corporate auditors. Costs of their sales are determined by the moving average method. "Other securities" which are not marketable are stated at cost, cost being determined by the moving average method.

An impairment loss on deposits for golf club membership is also required to be recognized in accordance with the new standard.

#### **(7) Property and Equipment**

Property and equipment (other than new buildings acquired on or after April 1, 1998, to which the straight-line method is applied) are depreciated by the declining-balance method over the estimated useful lives of the assets. 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.

#### **(8) Computer Software**

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

#### **(9) Foreign Currency Translation**

The Company and its domestic subsidiaries have adopted the Financial Accounting Standard on "Accounting for Foreign Currency Transactions."

Following the standard, receivables and payables 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 respective periods.

#### **(10) Leases**

Where 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) Accrued Severance Indemnities**

The Company and its domestic subsidiaries have adopted the Financial Accounting Standard on "Accounting for Retirement Benefits" issued by the Business Accounting Deliberation Council.

Following the standard, the amount of accrued severance indemnities for employees is provided based on the amount of the projected benefit obligation less the fair value of the pension plan assets. The accrued severance indemnity cost for the fiscal period is charged to income as incurred.

Unrecognized past service cost and net actuarial loss arising in the years are charged to income in the year in which they arise.

The directors and corporate auditors of the Company and certain subsidiaries are covered by a retirement benefit plan under which the retiring directors or corporate auditors are entitled to receive lump-sum retirement benefits. The amount of such benefits is determined based on these companies' pertinent rules. The accrued severance indemnities for directors and corporate auditors in the accompanying balance sheets represent the estimated amount to be paid if all directors and corporate auditors retired at the balance sheet dates.

#### **(12) Bond Issue Expenses**

Bond issue expenses are charged to income as incurred.

#### **(13) 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 fiscal year. The appropriation of retained earnings reflected in the accompanying consolidated financial statements for each fiscal year represents the appropriations which were approved by the shareholders' meeting and disposed of during that year but were related to the immediately preceding fiscal year.

The payment of bonuses to directors and corporate 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.

#### (14) Net Income and Dividends per Share

Basic net income per share is based upon the weighted average number of shares of common stock outstanding during each period.

Diluted net income per share is based upon the weighted average number of shares of common stock outstanding after consideration of the dilutive effect of treasury stock for stock option plans during each year.

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

#### (15) Cash Equivalents

Cash equivalents include all highly liquid investments, generally with an original maturity date of three months or less, that are

### 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 ¥133.25 to US\$1, being the effective rate of exchange at

### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included ¥49,409 million (\$370,802 thousand) of short-term commercial notes, as of March 31, 2002. The Companies received securities, commercial paper and others as collateral for short-term commercial notes. Market values of collateral as of March 31, 2002 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Securities.....	¥17,849	\$133,953
Commercial paper.....	17,090	128,254
Others.....	14,401	108,077
	¥49,340	\$370,284

### 5. NOTES AND ACCOUNTS RECEIVABLE

The financing from consumer loans receivable liquidated on or before March 31, 2000 is recognized as long-term liabilities secured. Those liquidated on and after April 1, 2000 have been accounted for as sales transactions in accordance with the Financial Accounting Standard on "Accounting for Financial Instruments,"

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.

#### (16) Derivatives

Following the Financial Accounting Standard on "Accounting for Financial Instruments," derivative financial instruments are recognized in the financial statements and measured at fair value, effective April 1, 2000. Gains and losses on designated hedged instruments are deferred on the balance sheet to the period when gains and losses on the positions hedged have been recognized to match gains and losses on the hedging instruments. Certain derivative instruments satisfying the condition prescribed under the standard are not evaluated at fair value.

#### (17) Reclassifications

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

March 31, 2002. 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 ¥133.25 to US\$1 or at any other rate.

effective April 1, 2000. The effect of this change was to decrease "Notes and accounts receivable" as of March 31, 2001 and net income for the year then ended by ¥10,125 million and nil, respectively.

## 6. CONSUMER LOANS RECEIVABLE

- (1) Unsecured loans to individual customers, which were included in "Consumer loans receivable," were ¥1,532,578 million (\$11,501,524 thousand) and ¥1,406,327 million as of March 31, 2002 and 2001, 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
	2002	2001	2002
Credits of bankrupt borrowers .....	¥ 2,648	¥ 109	\$ 19,871
Delinquent loans .....	706	171	5,299
Delinquent loans past due three months or more .....	9,842	7,924	73,862
Restructured loans .....	37,429	30,788	280,894
	¥50,625	¥38,992	\$379,926

Credits of bankrupt borrowers are loans under declaration of bankruptcy, reconstruction and similar proceedings and whose accruing interest is not recorded as income because 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 the 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 due 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 loan agreements and do not include credits of bankrupt borrowers and delinquent loans, as described above.

Restructured loans are loans to which a certain concession favorable 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 due three months or more, as described above.

Restructured loans which are 30 days or less past due were ¥32,676 million (\$245,223 thousand) and ¥27,406 million as of March 31, 2002 and 2001, respectively.

- (3) A revolving credit facility agreement is a contract whereby the Companies are obligated to loan repeatedly up to a predetermined amount to a customer on request, if the customer has met the terms and conditions of the contract.

The total balance of revolving credit facilities unused, including credit facilities of customers without any loan balance, except for those making no payment or receipt for two years or more, was ¥427,663 million (\$3,209,476 thousand) as of March 31, 2002. The balance of revolving credit facilities unused and unsecured was ¥325 million (\$2,442 thousand) as of March 31, 2002. Since revolving credit facilities expire without making a loan, the total balance of unused credit facilities must not impact on future cash flows of the Companies.

Revolving credit facilities contain provisions that allow the Companies to refuse to loan to the customers or reduce the contract amount of the credit facilities if credit exposures or similar conditions change. After contracted, the Companies periodically monitor customers' creditworthiness and, if necessary, take measures to manage credit exposures, such as revising the terms of the contract.

## 7. ALLOWANCE FOR CREDIT LOSSES

Transactions affecting the "Allowance for credit losses" account for the years ended March 31, 2002 and 2001 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Balance at beginning of year .....	¥61,349	¥44,411	\$460,402
Adjustments for newly consolidated subsidiaries .....	895	9,623	6,718
Credit losses written off against the allowance .....	(61,269)	(48,553)	(459,806)
Provision for uncollectible loans .....	86,238	55,868	647,193
Balance at end of year .....	¥87,213	¥61,349	\$654,507

## 8. INVESTMENTS IN SECURITIES

Investments in securities held by the Companies as of March 31, 2002 and 2001 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Investments in securities:			
Equity securities .....	¥10,838	¥18,042	\$ 81,336
Bonds and debentures .....	—	421	—
Other .....	13,461	198	101,022
	¥24,299	¥18,661	\$182,358

Book value and acquisition cost information on marketable "Other securities" as of March 31, 2002 is summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Acquisition cost	Book value per balance sheet	Difference	Acquisition cost	Book value per balance sheet	Difference
Securities whose book values on the accompanying consolidated balance sheet exceed their acquisition costs:						
Equity securities .....	¥5,685	¥7,649	¥1,964	\$42,661	\$57,407	\$14,746
Securities whose book values on the accompanying consolidated balance sheet do not exceed their acquisition costs:						
Equity securities .....	892	657	(235)	6,691	4,926	(1,765)
Other .....	259	161	(98)	1,948	1,210	(738)
	1,151	818	(333)	8,639	6,136	(2,503)
	¥6,836	¥8,467	¥1,631	\$51,300	\$63,543	\$12,243

"Other securities" sold during the year ended March 31, 2002 were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
	¥5,880	¥2,745	¥899	\$44,131	\$20,600	\$6,746

Book values of "Other securities" which were not marketable as of March 31, 2002 are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Investments in securities:		
Equity securities .....	¥ 2,532	\$19,003
Other:		
Preference shares .....	13,300	99,812

Book value and acquisition cost information on marketable "Other securities" as of March 31, 2001 is summarized as follows:

	Millions of Yen		
	Acquisition cost	Book value per balance sheet	Difference
Securities whose book values on the accompanying consolidated balance sheet exceed their acquisition costs:			
Equity securities .....	¥6,402	¥14,898	¥8,496
Bonds and debentures .....	400	421	21
	6,802	15,319	8,517
Securities whose book values on the accompanying consolidated balance sheet do not exceed their acquisition costs:			
Equity securities .....	2,522	1,564	(958)
Other .....	260	198	(62)
	2,782	1,762	(1,020)
	¥9,584	¥17,081	¥7,497

"Other securities" sold during the year ended March 31, 2001 were as follows:

	Millions of Yen		
	Proceeds of sales	Gain on sales	Loss on sales
	¥1,620	¥51	¥788

Book values of "Other securities" which were not marketable as of March 31, 2001 are summarized as follows:

	Millions of Yen
Investments in securities:	
Equity securities .....	¥1,580

The aggregate annual maturities of debt securities included in "Other securities" outstanding as of March 31, 2001 were as follows:

	Millions of Yen
2002.....	¥ —
2003–2006 .....	199
2007–2011 .....	222
2011 and thereafter.....	—
	¥421

## 9. DERIVATIVES AND HEDGING ACTIVITIES

The Company and certain subsidiaries enter 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 fluctuation in interest rates. The Companies do not hold or issue any financial instruments for trading purposes. The hedging instruments are measured for effectiveness by correlation with respect to the difference between

interest rate indicators upon the instruments and positions hedged. The market risk associated with these instruments is managed under the Company's internal manual approved by the Board of Directors. The derivatives and hedging activities of the subsidiaries are subject to the Company's approval.

The fair values of the off-balance-sheet financial instruments, excluding those deferred on the balance sheet in accordance with the accounting standard were as follows:

	Millions of Yen			
	Notional amount		Fair value	Unrealized loss
	Total	Due after one year		
<b>Year ended March 31, 2002:</b>				
Interest rate swap:				
Changing floating rates into fixed rate .....	¥28,629	¥20,000	¥(589)	¥(589)
Interest rate cap:				
Purchased .....	8,000	4,000	0	(34)
	¥36,629	¥24,000	¥(589)	¥(623)
<b>Year ended March 31, 2001:</b>				
Interest rate swap:				
Changing floating rates into fixed rate .....	¥22,807	¥20,000	¥(407)	¥(407)
Interest rate cap:				
Purchased .....	10,000	8,000	5	(64)
	¥32,807	¥28,000	¥(402)	¥(471)
	Thousands of U.S. Dollars			
	Notional amount		Fair value	Unrealized loss
	Total	Due after one year		
<b>Year ended March 31, 2002:</b>				
Interest rate swap:				
Changing floating rates into fixed rate.....	\$214,853	\$150,094	\$(4,418)	\$(4,418)
Interest rate cap:				
Purchased.....	60,038	30,019	1	(257)
	\$274,891	\$180,113	\$(4,417)	\$(4,675)

## 10. PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2002 and 2001 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Buildings .....	¥26,146	¥25,081	\$196,218
Structures .....	5,092	5,113	38,214
Furniture, fixtures and equipment .....	40,258	39,036	302,125
Other .....	136	190	1,018
	<b>71,632</b>	69,420	<b>537,575</b>
Less: Accumulated depreciation .....	<b>(41,538)</b>	(37,795)	<b>(311,729)</b>
	<b>30,094</b>	31,625	<b>225,846</b>
Land .....	13,903	12,729	104,341
Construction in process.....	1,374	—	10,306
	<b>¥45,371</b>	¥44,354	<b>\$340,493</b>

## 11. FIXED LEASEHOLD DEPOSITS

Fixed leasehold deposits as of March 31, 2002 and 2001 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.

## 12. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

(1) Information on the amount of short-term borrowings outstanding as of March 31, 2002 and 2001 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Short-term bank loans*:			
Secured.....	¥ 2,037	¥ 2,124	\$ 15,284
Entered into the forward contract of assigning consumer loans receivable.....	1,300	4,042	9,756
Unsecured.....	13,375	17,924	100,378
	<b>16,712</b>	24,090	<b>125,418</b>
Commercial paper and other:			
Secured.....	1,758	4,748	13,193
Unsecured.....	3,262	3,771	24,478
	<b>5,020</b>	8,519	<b>37,671</b>
	<b>¥21,732</b>	¥32,609	<b>\$163,089</b>
* Maximum month-end balance outstanding during the period .....	¥27,513	¥29,417	\$206,476
Average month-end balance outstanding during the period .....	22,868	26,486	171,619
Weighted average interest rate for the period .....	2.611%	4.130%	

Short-term bank loans outstanding as of March 31, 2002 and 2001 were represented mainly by overdrafts with banks bearing interest at annual rates ranging from 0.585% to 5.125% and from 0.630% to 7.941%, respectively.

The principal ranges of annual interest rates applicable to commercial paper and other as of March 31, 2002 and 2001 were from 0.500% to 2.910% and from 2.160% to 5.520%, respectively.

(2) Long-term debt outstanding as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Loans, principally from banks and other financial institutions with interest rates indicated below*:			
Secured .....	¥256,134	¥261,602	\$1,922,208
Entered into the forward contract of assigning consumer loans receivable .....	370,936	351,351	2,783,762
Unsecured .....	204,071	191,712	1,531,486
	<b>831,141</b>	804,665	<b>6,237,456</b>
Bonds issued by Promise Co., Ltd.:			
2.100% per annum uncollateralized yen bonds, due 2002 .....	—	10,000	—
2.600% per annum uncollateralized yen bonds, due 2002 .....	10,000	10,000	75,047
2.000% per annum uncollateralized yen bonds, due 2002 .....	10,000	10,000	75,047
2.100% per annum uncollateralized yen bonds, due 2001 .....	—	10,000	—
2.100% per annum uncollateralized yen bonds, due 2001 .....	—	10,000	—
2.050% per annum uncollateralized yen bonds, due 2002 .....	10,000	10,000	75,047
2.030% per annum uncollateralized yen bonds, due 2004 .....	20,000	20,000	150,094
1.790% per annum uncollateralized yen bonds, due 2004 .....	10,000	10,000	75,047
1.400% per annum uncollateralized yen bonds, due 2003 .....	10,000	10,000	75,047
2.270% per annum uncollateralized yen bonds, due 2005 .....	10,000	10,000	75,047
2.510% per annum uncollateralized yen bonds, due 2006 .....	20,000	20,000	150,094
1.900% per annum uncollateralized yen bonds, due 2003 .....	20,000	20,000	150,094
2.950% per annum uncollateralized yen bonds, due 2009 .....	10,000	10,000	75,047
2.560% per annum uncollateralized yen bonds, due 2010 .....	15,000	15,000	112,569
Floating rate (six-month Japanese yen—LIBOR+0.5%) uncollateralized yen bonds, due 2005 .....	10,000	10,000	75,047
2.270% per annum uncollateralized yen bonds, due 2008 .....	10,000	10,000	75,047
2.900% per annum uncollateralized yen bonds, due 2012 .....	10,000	10,000	75,047
2.040% per annum uncollateralized yen bonds, due 2007 .....	20,000	20,000	150,094
2.080% per annum uncollateralized yen bonds, due 2005 .....	10,000	10,000	75,047
Floating rate (six-month Japanese yen—LIBOR+0.75%) uncollateralized yen bonds, due 2005 .....	10,000	10,000	75,047
1.750% per annum uncollateralized yen bonds, due 2005 .....	10,000	10,000	75,047
1.700% per annum uncollateralized yen bonds, due 2006 .....	10,000	—	75,047
1.740% per annum uncollateralized yen bonds, due 2008 .....	10,000	—	75,047
1.200% per annum uncollateralized yen bonds, due 2006 .....	15,000	—	112,569
1.630% per annum uncollateralized yen bonds, due 2008 .....	10,000	—	75,047
1.400% per annum uncollateralized yen bonds, due 2007 .....	20,000	—	150,094
0.920% per annum uncollateralized yen bonds, due 2005 .....	20,000	—	150,094
Bonds issued by GC Co., Ltd.:			
1.600% per annum uncollateralized yen bonds, due 2003 .....	2,000	2,000	15,009
Less: Portion due within one year .....	(244,226)	(272,505)	(1,832,837)
	<b>¥898,915</b>	¥789,160	<b>\$6,746,082</b>
Weighted average interest rate for the period .....	<b>2.105%</b>	2.305%	

\* Annual interest rates on loans from banks and other financial institutions outstanding as of March 31, 2002 and 2001 ranged from 1.000% to 5.500% and from 1.070% to 9.500%, respectively.

(3) 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, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Time deposits .....	¥ 752	¥ 712	\$ 5,642
Notes and accounts receivable* .....	17,432	23,742	130,824
Consumer loans receivable* .....	254,369	277,841	1,908,959
Investments in securities .....	—	431	—
Property and equipment .....	8,337	9,065	62,569
Other .....	4	205	30
	<b>¥280,894</b>	¥311,996	<b>\$2,108,024</b>

\* 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 ¥386,091 million (\$2,897,490 thousand) and ¥370,542 million as of March 31, 2002 and 2001, respectively.

The aggregate annual maturities of long-term debt outstanding, excluding the preceding bonds, as of March 31, 2002 were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2003 .....	¥214,226	\$1,607,697
2004 .....	232,758	1,746,781
2005 .....	214,025	1,606,188
2006 .....	109,746	823,610
2007 and thereafter .....	60,386	453,180
	¥831,141	\$6,237,456

(4) The outstanding bank overdraft and loan commitments contracted but not provided for and similar agreements as of March 31, 2002 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Bank overdraft commitments:		
Credit facilities .....	¥ 14,922	\$ 111,981
Used .....	(9,230)	(69,265)
Unused .....	¥ 5,692	\$ 42,716
Bank loan commitments:		
Credit facilities .....	¥145,699	\$1,093,426
Used .....	(12,013)	(90,155)
Unused .....	¥133,686	\$1,003,271

### 13. SEVERANCE AND PENSION PLANS

Under the terms of the severance plans of the Company and its consolidated subsidiaries, employees of the Companies 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 evaluations and the cause of retirement.

The Company and its domestic subsidiaries have non-contributory pension plans, which are defined benefit plans, covering a portion of their severance plans.

In addition, the Company has contributory funded benefit pension plans, which are pursuant to the Japanese Welfare Pension Insurance Law, and defined benefit plans. These plans cover a portion of the governmental welfare pension program, under which both employers and employees contribute.

The overseas subsidiaries sponsor defined contribution plans.

The following is a reconciliation of benefit obligation to net liability recognized in the accompanying consolidated balance sheets as of March 31, 2002 and 2001.

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Benefit obligation .....	¥(30,465)	¥(27,288)	\$(228,634)
Fair value of plan assets .....	16,437	15,325	123,359
Funded status .....	(14,028)	(11,963)	(105,275)
Net liability recognized in balance sheet .....	(14,028)	(11,963)	(105,275)
Prepaid pension expense .....	—	7	—
Accrued severance indemnities for employees .....	¥(14,028)	¥(11,970)	\$(105,275)

Components of net periodic benefit cost for the year ended March 31, 2002 and 2001 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Service cost .....	¥2,309	¥2,067	\$17,330
Interest cost .....	799	717	6,001
Expected return on plan assets .....	(343)	(331)	(2,577)
Past service cost .....	—	709	—
Net actuarial loss .....	1,089	1,586	8,171
Net periodic benefit cost .....	¥3,854	¥4,748	\$28,925

Service cost does not include employers' contributions to the contributory funded benefit pension plan.

The benefit obligation was determined using a discount rate of 3.0% for the years ended March 31, 2002 and 2001. The expected long-term rate of return on the non-contributory pension plan assets and contributory funded benefit pension plan assets ranged from 2.4% to 4.0% and 2.1%, respectively, for the years ended March 31, 2002 and 2001.

Net periodic service cost is attributed based on years of service.

Certain subsidiaries' benefit obligations were calculated using a simplified method, which is permitted to be applied by small companies, in conformity with the Financial Accounting Standard on "Accounting for Retirement Benefits."

#### 14. 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 as of March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Rental expense .....	¥1,980	¥2,254	\$14,856
Depreciation expense .....	1,730	1,925	12,987
Interest expense .....	202	264	1,512

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, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Due within one year .....	¥1,761	¥1,617	\$13,219
Due after one year .....	2,660	1,894	19,962
	¥4,421	¥3,511	\$33,181

A summary of the leased properties under the above leases as of March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Furniture, fixtures and equipment .....	¥8,060	¥6,279	\$60,489
Other .....	608	1,587	4,563
	8,668	7,866	65,052
Less: Accumulated depreciation .....	(4,406)	(4,520)	(33,065)
	¥4,262	¥3,346	\$31,987

(2) Aggregate future lease payments under ordinary operating leases as of March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Due within one year .....	¥107	¥110	\$ 803
Due after one year .....	33	136	250
	¥140	¥246	\$1,053

## 15. 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 common stock. The portion which is to be designated as common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as common stock are credited to additional paid-in capital.

Effective from October 1, 1999, the Commercial Code was revised, and the procedure for stock exchange was established. In this procedure, at least the par value of new shares was required to be designated as common stock. The portion, which is to be designated as common stock, was determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as common stock were credited to additional paid-in capital.

For the year ended March 31, 2001, the Company issued 3,118 thousand shares through stock exchange, and common stock and additional paid-in capital increased by ¥156 million and ¥23,792 million, respectively.

Effective from October 1, 2001, the Commercial Code was revised, and par-value stock was abolished. Under the revised Code, concerning new shares issued through stock exchange, the minimum amount required to be designated as common stock

is not regulated. The portion which is to be designated as common stock was determined by resolution of the Board of Directors. The amounts not designated as common stock are credited to additional paid-in capital.

For the year ended March 31, 2002, the Company issued 1,251 thousand shares through a stock exchange, and additional paid-in capital increased by ¥8,720 million (\$65,440 thousand).

The Commercial Code provided 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 the shareholders' meeting but is not available for dividend payments.

Effective from October 1, 2001, the provision of the Commercial Code was revised, and an amount equal to at least 10% of cash dividends and other appropriations of retained earnings paid out with respect to each financial period is required to set aside until the total amount of additional paid-in capital and legal reserve equals 25% of the amount of common stock.

## 16. OTHER OPERATING INCOME

As described in Note 2 (5), 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.

Collected amounts for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Collected amounts .....	<b>¥7,920</b>	¥8,518	<b>\$59,438</b>

## 17. FINANCIAL EXPENSES

Interest expense, which was included in "Financial expenses" in the accompanying consolidated statements of income, for the years ended March 31, 2002 and 2001 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Interest expense .....	<b>¥23,892</b>	¥25,569	<b>\$179,299</b>

## 18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses in the accompanying consolidated statements of income for the years ended March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Advertising expenses .....	<b>¥ 27,164</b>	¥ 25,998	<b>\$ 203,858</b>
Employees' salaries and bonuses .....	<b>32,226</b>	30,045	<b>241,842</b>
Rent expenses .....	<b>14,424</b>	13,264	<b>108,249</b>
Other .....	<b>73,679</b>	69,100	<b>552,946</b>
	<b>¥147,493</b>	¥138,407	<b>\$1,106,895</b>

## 19. 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% for each of the years ended March 31, 2002 and 2001. Overseas consolidated subsidiaries are subject to income taxes of the countries in which they operate.

For the year ended March 31, 2002, the difference between the statutory tax rate and the effective tax rate was immaterial.

Reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2001 was as follows:

Statutory tax rate.....	42.0%
Loss on valuation of investments in subsidiaries deducted for income tax purposes.....	(3.9)
Revenue not deductible for income tax purposes—dividends and others.....	(0.3)
Impairment loss on deposits for golf club membership.....	0.4
Others.....	1.4
Effective tax rate.....	39.6%

The major components of deferred tax assets and liabilities as of March 31, 2002 and 2001 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Deferred tax assets due to:			
Credit losses for receivables and consumer loans.....	¥10,627	¥ 7,818	\$ 79,748
Allowance for credit losses.....	12,299	4,964	92,297
Accrued enterprise taxes.....	3,696	1,827	35,881
Accrued severance indemnities for employees.....	4,781	3,904	27,738
Other.....	5,834	3,543	43,785
	37,237	22,056	279,449
Deferred tax liabilities due to:			
Net unrealized gains on securities.....	(909)	(3,704)	(6,820)
Net deferred tax assets.....	¥36,328	¥18,352	\$272,629

Net deferred tax assets as of March 31, 2002 and 2001 were included in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Current assets:			
Deferred tax assets.....	¥31,329	¥16,789	\$235,113
Investments and advances:			
Deferred tax assets.....	4,999	1,563	37,516
	¥36,328	¥18,352	\$272,629

## 20. SEGMENT INFORMATION

The Companies' operations by business segment for the years ended March 31, 2002 and 2001 are not disclosed since the Companies' business other than consumer financial business is immaterial.

The Companies' operations by geographic segment for the years ended March 31, 2002 and 2001 are not disclosed since the Companies' business other than in Japan is immaterial.

Information about operating income overseas for the years ended March 31, 2002 and 2001 is not disclosed since the Companies' operating income overseas is immaterial.

## 21. SUBSEQUENT EVENT

At the general shareholders' meeting of the Company held on June 25, 2002, the payment of cash dividends, ¥50.0 (\$0.38)

per share, was approved, which amounted to ¥6,281 million (\$47,135 thousand).

## Report of the Independent Accountants

The Board of Directors  
Promise Co., Ltd.

We have audited the accompanying consolidated balance sheets of Promise Co., Ltd. and its consolidated subsidiaries as of March 31, 2002 and 2001, 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, 2002 and 2001, 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.

As described in Note 2, effective from the year ended March 31, 2001, Promise Co., Ltd. and its domestic consolidated subsidiaries have adopted new Japanese accounting standards for financial instruments and retirement benefits.

The amounts expressed in U.S. dollars, which are 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  
Osaka, Japan  
June 25, 2002

## Non-Consolidated Balance Sheets

Promise Co., Ltd.  
March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 110,984	¥ 91,544	\$ 832,903
Time deposits .....	5,815	7,926	43,640
Consumer loans receivable:			
Principal .....	1,324,663	1,228,026	9,941,187
Accrued interest income .....	13,169	11,898	98,830
Less: Allowance for credit losses .....	(68,000)	(46,500)	(510,319)
	1,269,832	1,193,424	9,529,698
Prepaid expenses .....	2,149	2,071	16,127
Deferred tax assets .....	28,315	13,237	212,494
Other current assets .....	112,386	73,617	843,422
<b>Total current assets</b> .....	<b>1,529,481</b>	<b>1,381,819</b>	<b>11,478,284</b>
<b>Investments and advances:</b>			
Investments in securities .....	19,947	17,612	149,694
Investments in and advances to subsidiaries and affiliates .....	60,088	42,736	450,941
Investments in equity other than capital stock .....	1,861	2,662	13,969
Long-term prepaid expenses .....	548	731	4,116
Deferred tax assets .....	4,304	1,164	32,301
Other investments and advances .....	11,554	12,677	86,707
<b>Total investments and advances</b> .....	<b>98,302</b>	<b>77,582</b>	<b>737,728</b>
<b>Property and equipment, net</b> .....	<b>30,305</b>	<b>31,886</b>	<b>227,429</b>
<b>Fixed leasehold deposits</b> .....	<b>12,393</b>	<b>12,632</b>	<b>93,003</b>
<b>Total assets</b> .....	<b>¥1,670,481</b>	<b>¥1,503,919</b>	<b>\$12,536,444</b>

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥133.25 to US\$1, the approximate exchange rate at March 31, 2002.  
2. Under the revised Commercial Code, treasury stock that was previously included in assets has been reflected in shareholders' equity in the non-consolidated balance sheet as of March 31, 2002.

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings .....	¥ 1,300	¥ 4,900	\$ 9,756
Current portion of long-term debt .....	219,917	240,207	1,650,407
Accounts payable .....	8,238	7,753	61,822
Accrued income taxes .....	40,111	18,165	301,023
Accrued expenses .....	6,770	7,205	50,809
Other current liabilities .....	2,699	1,651	20,257
<b>Total current liabilities .....</b>	<b>279,035</b>	<b>279,881</b>	<b>2,094,074</b>
<b>Long-term liabilities:</b>			
Long-term debt .....	821,402	707,247	6,164,368
Non-current accounts payable .....	2,003	2,884	15,034
Accrued severance indemnities .....	14,425	12,441	108,254
Other long-term liabilities .....	727	134	5,454
<b>Total long-term liabilities .....</b>	<b>838,557</b>	<b>722,706</b>	<b>6,293,110</b>
<b>Commitments</b>			
<b>Shareholders' equity:</b>			
Common stock			
Authorized—300,000,000 shares			
Issued—125,966,665 shares at March 31, 2002 .....	49,054	—	368,133
—124,715,592 shares at March 31, 2001 .....	—	49,054	—
Additional paid-in capital .....	80,956	72,236	607,549
Legal reserve .....	12,263	12,252	92,033
Voluntary reserve .....	350,800	299,300	2,632,645
Retained earnings .....	61,685	63,978	462,925
Net unrealized gain on securities .....	1,062	4,512	7,970
Less: Treasury stock (352,541 shares in 2002) .....	(2,931)	—	(21,995)
<b>Total shareholders' equity .....</b>	<b>552,889</b>	<b>501,332</b>	<b>4,149,260</b>
<b>Total liabilities and shareholders' equity .....</b>	<b>¥1,670,481</b>	<b>¥1,503,919</b>	<b>\$12,536,444</b>

## Non-Consolidated Statements of Income

Promise Co., Ltd.  
For the years ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
<b>Operating income:</b>			
Interest on consumer loans.....	¥306,847	¥282,664	\$2,302,789
Other operating income.....	9,400	10,110	70,546
<b>Total operating income</b> .....	<b>316,247</b>	<b>292,774</b>	<b>2,373,335</b>
<b>Operating expenses:</b>			
Financial expenses.....	21,179	22,069	158,945
General and administrative expenses.....	114,276	110,700	857,606
Credit losses including provision for uncollectible loans.....	76,627	43,827	575,058
<b>Total operating expenses</b> .....	<b>212,082</b>	<b>176,596</b>	<b>1,591,609</b>
<b>Operating profit</b> .....	<b>104,165</b>	<b>116,178</b>	<b>781,726</b>
<b>Other income (expenses):</b>			
Interest and dividend income on investments.....	255	416	1,910
Amortization of deferred charge.....	—	(963)	—
Bond issue expenses.....	(25)	(9)	(185)
Insurance money received and insurance divided.....	392	321	2,940
Equity in earnings of Tokumei Kumiai.....	963	1,803	7,226
Net gain on sales of investments in securities.....	1,831	1,972	13,738
Net loss on sales or disposal of property and equipment.....	(587)	(17,579)	(4,406)
Past service cost of retirement benefits.....	—	(709)	—
Gain on liquidation of subsidiaries.....	—	1,780	—
Impairment loss on deposits for golf club membership.....	(162)	(962)	(1,216)
Other, net.....	(409)	(395)	(3,058)
<b>Total other income (expenses), net</b> .....	<b>2,258</b>	<b>(14,325)</b>	<b>16,949</b>
<b>Income before income taxes</b> .....	<b>106,423</b>	<b>101,853</b>	<b>798,675</b>
<b>Income taxes:</b>			
Current.....	60,888	39,500	456,946
Deferred.....	(15,715)	(1,168)	(117,935)
	45,173	38,332	339,011
<b>Net income</b> .....	<b>¥ 61,250</b>	<b>¥ 63,521</b>	<b>\$ 459,664</b>
<b>Amount per share:</b>			
Net income:			
Basic.....	¥491.09	¥513.24	\$3.69
Diluted.....	489.71	—	3.68
Cash dividends.....	100.00	90.00	0.75
<b>Weighted average number of shares (Thousands):</b>			
Basic.....	124,724	123,765	
Diluted.....	125,075	—	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥133.25 to US\$1, the approximate exchange rate at March 31, 2002.

2. Treasury stock, which was previously included in the weighted average number of shares in 2001, has been excluded from the weighted average number of shares in 2002 in accordance with a revision to the Commercial Code of Japan.

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

## Non-Consolidated Statements of Shareholders' Equity

Promise Co., Ltd.  
For the years ended March 31, 2002 and 2001

	Millions of Yen							
	Number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Voluntary reserve	Retained earnings	Net unrealized gain on securities	Treasury stock
<b>Balance at March 31, 2000</b> .....	121,597,202	¥48,898	¥58,692	¥11,569	¥240,800	¥70,298	¥ —	¥ —
Net income .....	—	—	—	—	—	63,521	—	—
Legal reserve .....	—	—	—	683	—	(683)	—	—
Cash dividends paid .....	—	—	—	—	—	(10,422)	—	—
Bonuses to directors and corporate auditors .....	—	—	—	—	—	(236)	—	—
Transfer to voluntary reserve .....	—	—	—	—	58,500	(58,500)	—	—
Issuance of new shares through stock exchange .....	3,118,390	156	13,544	—	—	—	—	—
Increase due to valuation of securities, net of tax .....	—	—	—	—	—	—	4,512	—
<b>Balance at March 31, 2001</b> .....	124,715,592	¥49,054	¥72,236	¥12,252	¥299,300	¥63,978	¥4,512	¥ —
Net income .....	—	—	—	—	—	61,250	—	—
Legal reserve .....	—	—	—	11	—	(11)	—	—
Cash dividends paid .....	—	—	—	—	—	(11,815)	—	—
Bonuses to directors and corporate auditors .....	—	—	—	—	—	(217)	—	—
Transfer to voluntary reserve .....	—	—	—	—	51,500	(51,500)	—	—
Issuance of new shares through stock exchange .....	1,251,073	—	8,720	—	—	—	—	—
Decrease due to valuation of securities, net of tax .....	—	—	—	—	—	—	(3,450)	—
Reclassification of treasury stock held at the beginning of the year .....	—	—	—	—	—	—	—	(2,921)
Increase in treasury stock .....	—	—	—	—	—	—	—	(10)
<b>Balance at March 31, 2002</b> .....	125,966,665	¥49,054	¥80,956	¥12,263	¥350,800	¥61,685	¥1,062	¥(2,931)

	Thousands of U.S. Dollars							
	Common stock	Additional paid-in capital	Legal reserve	Voluntary reserve	Retained earnings	Net unrealized gain on securities	Treasury stock	
<b>Balance at March 31, 2001</b> .....	\$368,133	\$542,108	\$91,953	\$2,246,153	\$480,136	\$33,859	\$ —	
Net income .....	—	—	—	—	459,664	—	—	
Legal reserve .....	—	—	80	—	(80)	—	—	
Cash dividends paid .....	—	—	—	—	(88,665)	—	—	
Bonuses to directors and corporate auditors .....	—	—	—	—	(1,638)	—	—	
Transfer to voluntary reserve .....	—	—	—	386,492	(386,492)	—	—	
Issuance of new shares through stock exchange .....	—	65,441	—	—	—	—	—	
Decrease due to valuation of securities, net of tax .....	—	—	—	—	—	(25,889)	—	
Reclassification of treasury stock held at the beginning of the year .....	—	—	—	—	—	—	(21,918)	
Increase in treasury stock .....	—	—	—	—	—	—	(77)	
<b>Balance at March 31, 2002</b> .....	\$368,133	\$607,549	\$92,033	\$2,632,645	\$462,925	\$ 7,970	\$(21,995)	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥133.25 to US\$1, the approximate exchange rate at March 31, 2002.

2. Under the revised Commercial Code, effective from October 1, 2001, treasury stock that was previously included in assets has been reflected in shareholders' equity in the non-consolidated balance sheet as of March 31, 2002.