Consolidated Financial Results for the Six-Month Period Ended September 30, 2004

The summary of this document (unaudited) has been translated from the original Japanese document released on October 26, 2004 for reference only.
In the event of any discrepancy between this translated document and the original Japanese document, the original document shall prevail.

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Stock Code: 8574
(URL: http://cyber.promise.co.jp/)
Stock Listing: Tokyo Stock Exchange
Head Office: Tokyo

President and Representative Director: Hiroki Jinnai
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Meeting of Board of Directors for approval of results: October 26, 2004
Application of U.S. GAAP: Not applicable

1. Consolidated Financial Results for Interim Period Ended September 2004 (Apr. 1, 2004–Sept. 30, 2004)

(1) Consolidated Operating Results

(Note: In this report, amounts (consolidated) of less than one million yen are omitted and per share figures are rounded down to two decimal places)

	Operating income		Operating profit		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six-months ended Sept. 30, 2004	186,605	(7.6)	66,441	56.4	67,877	53.8
Six-months ended Sept. 30, 2003	202,024	(1.6)	42,474	(27.2)	44,141	(24.2)
Year ended Mar. 31, 2004	390,980		87,869		89,858	

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
Six-months ended Sept. 30, 2004	40,080	49.9	315.99	315.89
Six-months ended Sept. 30, 2003	26,743	(18.0)	219.94	—
Year ended Mar. 31, 2004	41,576		342.18	—

Notes:
1. Equity in net gain of affiliate
   Six-months ended Sept. 30, 2004: ¥ 166 million
   Six-months ended Sept. 30, 2003: ¥ 8 million
   Year ended Mar. 31, 2004: ¥ 94 million
2. Average number of shares
   Six-months ended Sept. 30, 2004: 126,838,325
   Six-months ended Sept. 30, 2003: 121,593,915
   Year ended Mar. 31, 2004: 121,256,422
3. Change in accounting method: Applicable
4. Percentages for operating income, operating profit, recurring profit, and net income represent percentage changes from the same period of the previous year.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Sept. 30, 2004	1,710,632	765,032	44.7	5,692.08
Sept. 30, 2003	1,777,110	625,105	35.2	5,169.91
Mar. 31, 2004	1,718,721	636,667	37.0	5,260.21

Note: Number of shares outstanding
Sept. 30, 2004: 134,402,787
Sept. 30, 2003: 120,912,176
Mar. 31, 2004: 121,018,416

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Net cash provided by investing activities	Net cash used in financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Six-months ended Sept. 30, 2004	37,098	10,695	(21,431)	127,789
Six-months ended Sept. 30, 2003	29,346	69,319	(46,640)	158,278
Year ended Mar. 31, 2004	93,967	28,956	(127,970)	101,110

(4) Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries: 9
Non-consolidated subsidiaries accounted for by the equity method: —
Affiliates accounted for by the equity method: 1

(5) Changes in the Scope of Consolidation and Equity Method

Newly consolidated subsidiaries: 1
Subsidiaries excluded from consolidation: —
Newly companies included in equity method accounting: —
Companies excluded from equity method accounting: —

2. Forecast for the Fiscal Year Ending March 31, 2005 (Apr. 1, 2004–Mar. 31, 2005)

	Operating income	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen
Year ending Mar. 31, 2005	367,757	109,200	63,000

Reference: Projected net income per share for the fiscal year ending Mar. 31, 2005: ¥481.70
Notes: 1. Projected net income per share for the fiscal year ending Mar. 31, 2005 is calculated based on projected average number of shares of 130,610,194.
2. The above forecasts are based on information currently available to the Company at the time of the release of this report. Actual results could differ materially from projections due to various factors.

Appendix

1. Company Profile

(1) The Promise Group consists of Promise Co., Ltd., 9 consolidated subsidiaries, 3 non-consolidated subsidiaries and 2 affiliated companies (including one accounted for by the equity method of consolidation). The Group's principal business activities and the operations of each subsidiary and affiliated company are described below.

<u>Financing Business</u>

The financing business is Promise Group's principal business. It mainly involves the direct provision of both unsecured and unguaranteed small-lot loans (i.e., the consumer finance business) to general consumers based on simplified credit analysis.

The Group is constructing a system that will enable it to provide comprehensive consumer loan services to a wide range of customers. In Japan, Promise Co., Ltd., Plat Corporation (consolidated subsidiary), Sun Life Co., Ltd., (consolidated subsidiary), and MOBIT CO., LTD. (equity-method affiliate) operate consumer loan businesses.

Overseas, PROMISE (HONG KONG) CO., LTD. (consolidated subsidiary) operates a consumer loan business in Hong Kong.

Promise and MOBIT also provide guarantees on loans made by financial institutions to individuals. PAL Servicer Co., Ltd. (consolidated subsidiary) operates a debt factoring and collection business.

<u>Other Businesses</u>

In addition to the aforementioned businesses, the Promise Group leverages the know-how cultivated in its core consumer loan business to develop finance-related businesses.

PAL Life Co., Ltd. (consolidated subsidiary) operates a real estate business centered on the Pal Building, for the collection of rents for tenant-occupied buildings. PAL Life also provides a variety of services, including travel arrangements and credit verification, to Group companies.

Net Future Co., Ltd. (consolidated subsidiary) provides telemarketing services to Group companies. STC Co., Ltd. (consolidated subsidiary) provides computer system design, operation, and management for Group companies.

Overseas, in Taiwan, PROMISE (TAIWAN) Co., Ltd. (consolidated subsidiary) provides credit appraisal and analysis for loans and purchase of claimable assets services to a local bank.

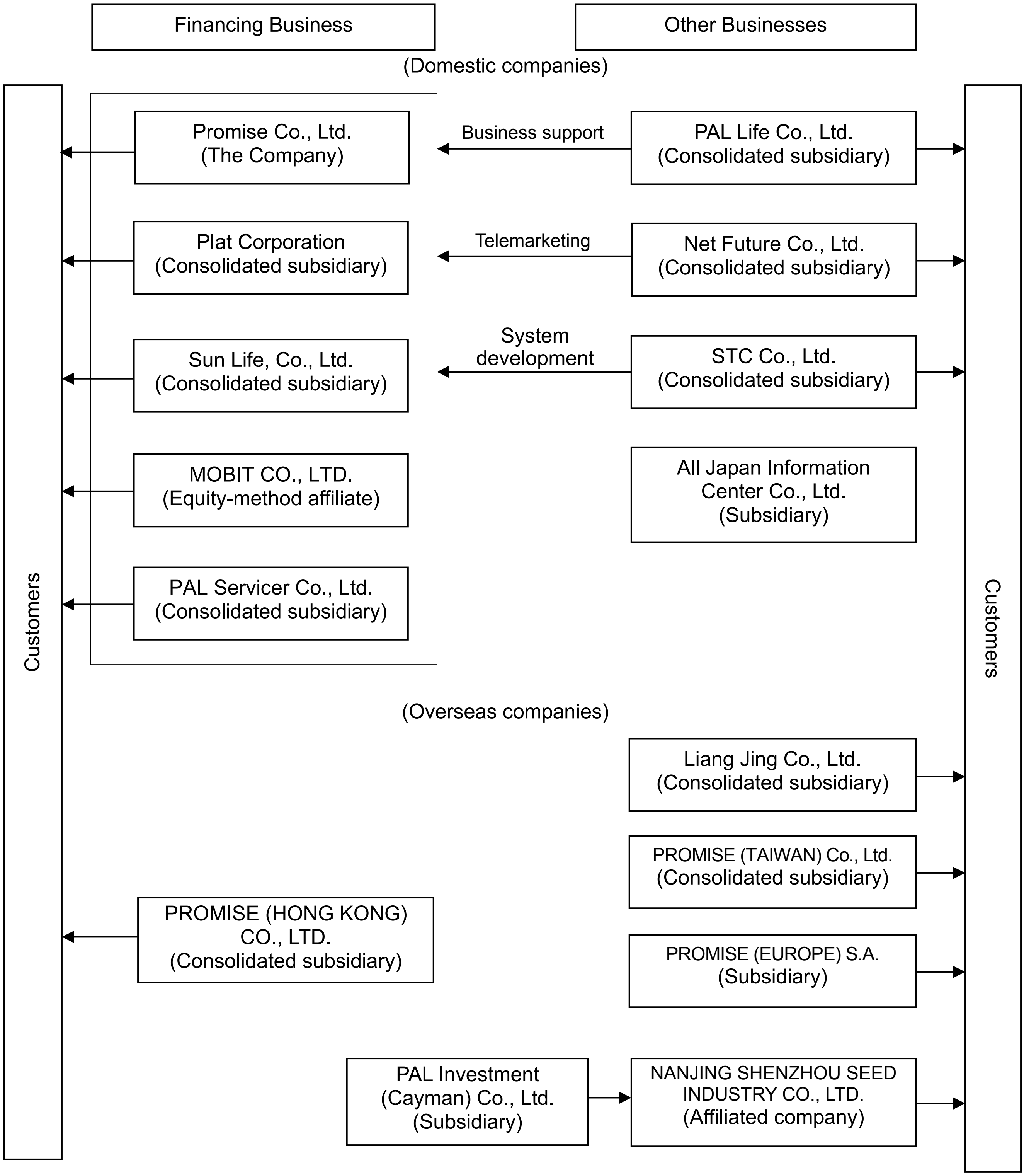
Notes: 1. System Trinity Co., Ltd. changed its name to STC Co., Ltd., effective July 1, 2004.
2. Due to the increased materiality of the business operations of PROMISE (TAIWAN) Co., Ltd., it has been included in the scope of consolidation commencing with the interim period under review.

The names and business descriptions of other affiliated companies are listed below.

[Domestic subsidiary]	[Business description]
All Japan Information Center Co., Ltd.	Holding of securities

[Overseas subsidiaries and affiliated company]	[Business Description]
PROMISE (EUROPE) S.A.	Management of golf courses
PAL Investment (Cayman) Co., Ltd.	Investment in China (NANJING SHENZHOU SEED INDUSTRY CO., LTD.)
NANJING SHENZHOU SEED INDUSTRY CO., LTD.	Production, processing, and sales of agricultural seeds

(2) Promise Group Organization



(3) Status of Consolidated Subsidiaries

Name	Location	Capital	Principal business	% of voting rights	Related information				Notes
					Directors	Capital support	Business dealings	Leased facilities	
Plat Corporation	Kita-ku, Osaka	¥2,400 million	Consumer finance	100.00	7 (5)	Debt guarantees and loans	ATM network tie-up	Offices	
Sun Life Co., Ltd.	Takamatsu, Kagawa Prefecture	¥185 million	Consumer finance	100.00	4 (3)	Loans	ATM network tie-up	Offices	
PAL Servicer Co., Ltd.	Setagaya-ku, Tokyo	¥500 million	Debt collection	100.00	5 (3)	Debt guarantees	—	—	
PAL Life Co., Ltd.	Chiyoda-ku, Tokyo	¥3,000 million	Credit obligation investigations, management of leased real estate	100.00	5 (3)	Loans	—	Offices	
Net Future Co., Ltd.	Chiyoda-ku, Tokyo	¥300 million	Telemarketing, ATM management /administration	100.00	5 (3)	Debt guarantees and loans	—	Offices	
STC Co., Ltd.	Chiyoda-ku, Tokyo	¥90 million	Computer system design, operation, and management	100.00	5 (2)	Loans	—	Offices	1
PROMISE (HONG KONG) CO., LTD.	Hong Kong	HK$45,000 thousand	Consumer finance	100.00	4 (3)	Debt guarantees	—	—	
Liang Jing Co., Ltd.	Taipei, Taiwan	NT$290,000 thousand	Automobile installment sales	100.00	4 (3)	Debt guarantees	—	—	
PROMISE (TAIWAN) Co., Ltd.	Taipei, Taiwan	NT$250,000 thousand	Credit appraisal and analysis for loans and purchase of claimable assets	70.00	3 (2)	Debt guarantees	—	—	2

Notes: 1. System Trinity Co., Ltd. changed its name to STC Co., Ltd, effective July 1, 2004.
2. Due to the increased materiality of the business operations of PROMISE (TAIWAN) Co., Ltd., the subsidiary has been included in the scope of consolidation commencing with the interim period under review.
3. The figure in parentheses under directors represents the number of directors serving in concurrent positions.

(4) Status of Equity-Method Affiliate

Name	Address	Capital	Principal business	% of voting rights	Related information				Notes
					Directors	Capital support	Business dealings	Leased facilities	
MOBIT CO., LTD.	Shinjuku-ku, Tokyo	¥20,000 million	Consumer finance	45.00	4 (2)	—	ATM network tie-up	—	

Note: The figure in parentheses under directors represents the number of directors serving in concurrent positions.

2. Management Policies, Business Results and Financial Condition, Business Risks
(1) Management Policies
1) Basic Management Policies

To earn the support of a wide customer base and attain sustainable growth, the Promise Group is making its utmost efforts to realize the Promise Vision.

The Promise Vision is a paradigm for the Company to specialize in the consumer finance business and focus on businesses that evolve in tandem with customer needs and the times. The Promise Vision is also a roadmap for evolution from lender-borrower relationships to advisor-client relationships. Through such initiatives, Promise aims to evolve into a personal main bank that can provide financial support and advice to customers on a one-to-one basis.

Despite increasingly fierce inter-industry competition, the Promise Group is striving to generate earnings and strengthen its business foundation by creating a high-quality loan portfolio and offering highly personalized lending services to an even broader customer base. Looking ahead, the Group aims to promote more-efficient use and greater sharing of its corporate resources and assets as well as to raise efficiency in accordance with circumstances. By taking these measures, the Group is striving to improve return on assets (ROA), which it regards as the most important management indicator.

2) Dividend Policy

The Promise Group considers returning a portion of profits to shareholders to be an issue of the highest priority. Looking ahead, the Promise Group intends to further enhance retained earnings and bolster its financial condition. On the other hand, the Group will work to improve earnings by drawing on a solid business foundation formed by high-quality assets and will return profits in accordance with shareholder expectations.

In view of the market environment, the Company's policy regarding the use of retained earnings is to strengthen the Group's business structure through effective investment in such areas as product development, information technology and human resource development to achieve growth in earning power, corporate worth and, by extension, shareholder value.

3) Medium- and Long-Term Business Plan

Working toward the goals of its long-term vision, Promise Group is focused on building its core consumer finance business around a full-line interest rate strategy. The Group is also expanding its peripheral financial businesses and international business, aiming to establish a base for new growth and to strengthen its earnings capability.

Promise's full-line interest rate strategy aims to address the cash needs of a broad base of consumers by offering different brands within the Promise Group, each with a different interest rate range. Currently, the parent company provides consumer loans with an interest rate band of 17.8% to 25.55%, while MOBIT CO., LTD., supplies consumer loans in the 15% and 18% range, and Plat Corporation and Sun Life Co., Ltd., market their consumer loans with a ceiling of 29.2%. By using these three interest rate bands, the Company is targeting customer base expansion.

The business and capital alliance concluded with Sumitomo Mitsui Financial Group, Inc., in June 2004 aims to further develop this full-line interest rate strategy and achieve additional customer base growth. Furthermore, under this alliance, the two partners plan to combine their brand power, customer bases, know-how, and experience to offer a quality consumer finance service that will be viewed as number one in the minds of consumers. In addition, the partners will take steps to develop peripheral financial businesses around loan guarantee and servicing businesses, with the goal of establishing a new earnings base over the medium term.

To achieve growth in its overseas business, Promise is expanding the businesses of PROMISE (HONG KONG) CO., LTD. (consumer finance) and PROMISE (TAIWAN) Co., Ltd. (loan guarantees) while also researching new markets throughout Asia, with a view to developing new earnings bases.

4) Basic Stance on Corporate Governance and Status of Policy Execution

[1] Basic Stance on Corporate Governance

The Promise Group believes that, as a trusted corporate citizen, a corporate governance system is essential to maintaining a relationship of coexistence and coprosperity with society. The Group considers that increasing management efficiency, soundness, and transparency and achieving strict compliance with rules and regulations is extremely important to this goal, and is taking steps to strengthen and expand its related organizations accordingly.

[2] Status of Corporate Governance Organization for Business Decisions and Execution by Management and Audit Function

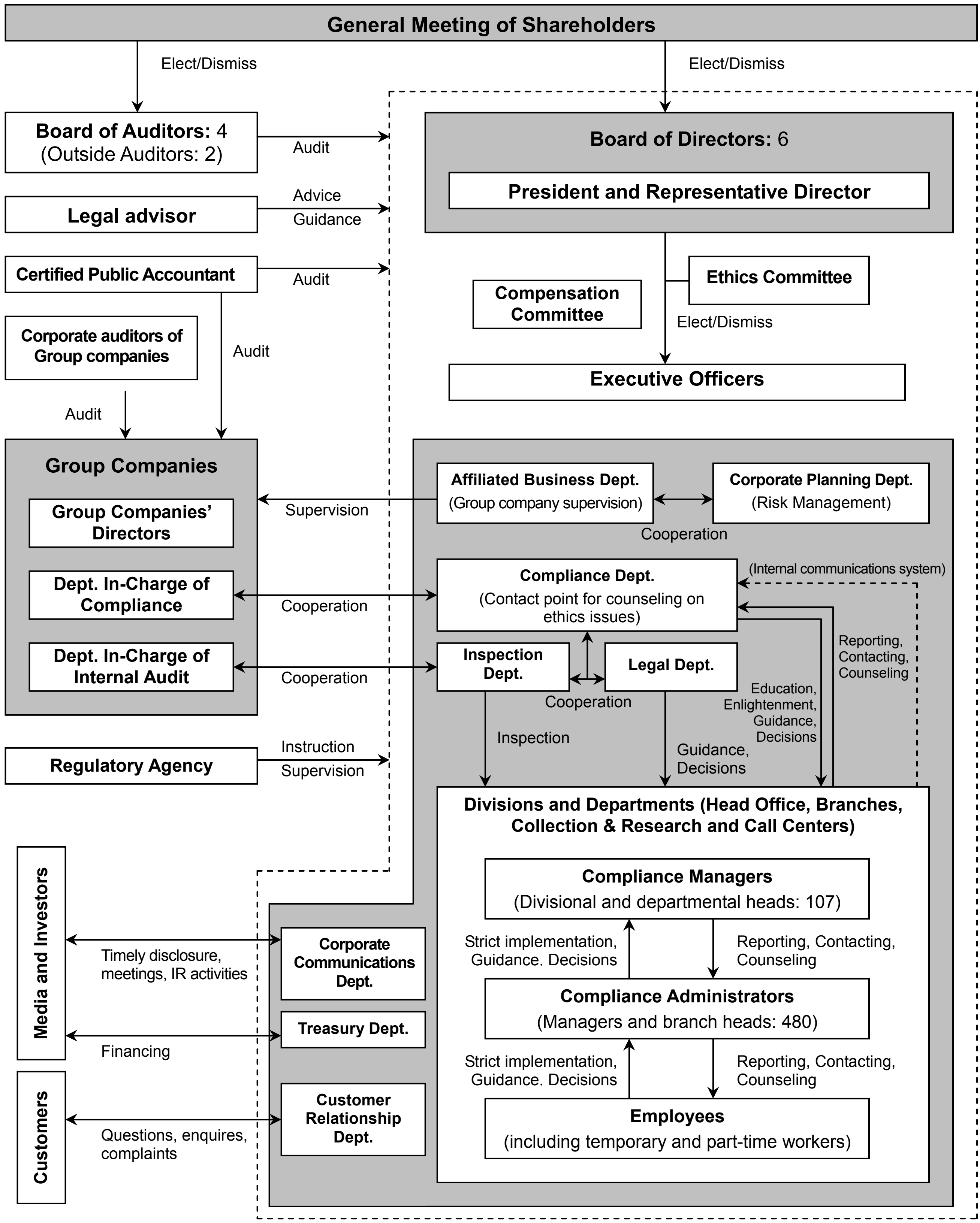
The Company introduced an executive officer system in June 2002. As a result, the Board of Directors has been reduced to six members, enabling the Board to adequately deliberate strategies to deal with pressing issues and to make speedy business decisions.

In its management audit function, Promise employs a corporate auditor system that consists of four auditors, of which two are outside auditors. In addition to monitoring the Board of Directors, the auditors also fulfill an audit function for business execution by sitting in on the Executive Officers and other important meetings.

Authority and responsibility for the overall business activities of the Company are clarified by in-house regulations and other rules. A structure also has been established to ensure sound and appropriate business activities. When necessary, the appropriate action to take on issues can be confirmed with several sections, including the Compliance Department and the Legal Department, and the Inspection Department conducts regular internal inspections. Furthermore, the Company is strengthening the cooperation among the internal auditing departments of individual Group companies, and is taking steps to establish a Groupwide internal auditing system.

Promise’s outside auditors have no business relationships with the Company or other conflicts of interest regarding their positions.

The following is a schematic of the Promise Group's corporate governance organization.



[3] Reinforcing the Compliance System

For many years, Promise has worked to infuse awareness of the compliance system Companywide by producing a code of ethics: holding in-house and training sessions and on-the-job training, and introducing other initiatives. However, to further heighten the awareness of individual employees, the Company is now taking steps to increase employees' understanding of compliance, principally through the Compliance Department, which was established in October 2001. These measures include an active educational program and the use of internal publications. Moreover, Promise has implemented measures to develop its compliance system. The Company has set up a Help Line (corporate ethics inquiries and counseling) and appointed 107 compliance managers and 480 compliance administrators throughout its sections and divisions, including sales branches. In addition, Promise has an implementation plan and reviews its progress status every fiscal quarter.

To further strengthen its compliance system, the Company encourages its employees to become qualified in this area by taking the Compliance Officer Certification Examination (Consumer Finance Course), which has been sponsored by the Kinzai Institute for Financial Affairs, Inc., since 2003. Over the past two years, a total of 2,105 employees have passed this examination. Through this and other measures, Promise is working to firmly ingrain the concept of compliance in its corporate culture.

[4] Strengthening and Expanding Disclosure

From the point of view of improving the transparency of management and strengthening its disclosure for shareholders, the Company is actively carrying out IR activities in Japan and abroad, working to bolster and expand its disclosure.

Through press releases, financial information, and other IR tools and its web site (http://cyber.promise.co.jp/), Promise promotes greater understanding of its management strategies and business developments. Top management takes the initiative in this process by personally explaining the Company's activities to others through information meetings and regular contact with securities analysts and investors. At the same time, top management listens carefully to the opinions and wishes of shareholders and investors regarding management, using them as feedback regarding the Company's management practices.

5) Other Important Management Issues

Business and Capital Alliance with Sumitomo Mitsui Financial Group

In September 2004, the Company concluded a business agreement with Sumitomo Mitsui Financial Group, Inc.

Under the agreement, Promise will install its *Chosoku* loan processing machines in the branches of Sumitomo Mitsui Banking Corporation. The Company and the Bank will establish a joint venture through which they will jointly develop and offer consumer loans based on a new Cascade Scheme. The new scheme seeks to develop new sales channels based mainly on the sale of loan guarantees for the new consumer loan product and to further expand business tie-ups with other members of the partners' corporate groups.

In July 2004, the Company made a third-party allotment of shares to Sumitomo Mitsui Banking Corporation and sold said bank treasury shares. The transfer of shares was made to promote the mutual sharing of the profits and to solidify the strategic alliance.

(2) Business Results and Financial Condition

1) Overview of Interim Period Ended September 30, 2004 and Business Results

During the interim period under review, the Japanese economy remained in a mild recovery phase. Reflecting this trend, exports expanded against the backdrop of the recovery in the global economy, domestic private-sector capital investment grew and corporate performances improved. In contrast, the recovery in employment and wage conditions continued to be delayed. Although the unemployment rate declined slightly, it remained at a high level and actual wage levels moved downward.

Under these conditions, the Promise Group gave top priority to minimizing nonperforming loans and increasing customer retention. As part of these efforts, management has introduced new policies, bolstered mechanisms for credit asset management and aggressively cut costs.

Results for the interim period ended September 30, 2004 by business are provided below.

[1] Financing Business

In the core consumer finance business, although there were encouraging signs in the market, there were also many uncertainties about its direction. As the result of the use of stricter standards for approving loans and the impact of the sale of GC Co., Ltd., in the previous fiscal year, the balance of loans outstanding fell slightly.

Consequently, in the interim period ended September 30, 2004, the consumer finance business recorded financial revenues of ¥180,954 million, down ¥13,983 million, or 7.2%, from the previous interim period.

The major policies undertaken in the interim period ended September 30, 2004 are outlined below.

(Strengthening organizational structure)

In response to the ever-changing business environment, the Promise Group flexibly reviews its organizational structure to ensure that its organization demonstrates its maximum capabilities from the point of view of efficiency and results.

In August 2004, Promise integrated its Marketing Planning, Marketing Development and Internet Business Development departments into the new Marketing Planning Department to strengthen the planning and development of its Marketing Division. The Company also spun off the advertising and promotion function into the new, independent Advertising Department. Furthermore, in conjunction with the strategic alliance with Sumitomo Mitsui Financial Group, Promise set up the Strategic Alliance Project responsible for planning and implementation of cooperative activities. Each project team is formed using a horizontal organizational structure that combines members from different departments, with the goal of quickly establishing businesses covered by the agreement.

(Improving loan portfolio quality)

The Promise Group addresses its major issues of minimizing nonperforming loans and increasing customer retention through detailed responses to the needs of each customer based on thorough communication.

Promise has an automated credit provision system based on statistical analysis. The system is optimized by revising it in response to changes in the business environment, a process that has highly refined its precision. In addition, the Company has introduced a “Navigation System” that further refines the approval process by recording transaction details and individual conditions and other qualitative information into a database and assigning such details greater weight than previously in the credit approval process.

Promise has taken a variety of steps to enable more effective use of this “Navigation System.” It has established a loan management system whereby branches manage their new loans comprehensively from inception to collection and revised its Loan Collection Guidelines, strict self-regulatory standards aimed at achieving legal compliance. Besides making progress with the implementation of these systems and rules, the Company is also focusing its attention on improving the customer counseling abilities of employees through various training courses and on-the-job training and on achieving their thorough compliance with rules and regulations.

In addition, Promise’s loan management know-how is also being put to use by Plat Corporation and Sun Life Co., Ltd. By revising its loan management system as needed, the Company is striving to strengthen its lending system and improve the quality of its loan portfolio.

(Expanding product line and business channel network)

Promise is making efforts to expand its services using IT and business alliances for the purpose of acquiring new customers and increasing the level of satisfaction of existing ones.

Among products, the Company is enlarging its unsecured loan product line principally around free and expanded services for its cashing services. Promise also aims to develop products and systems that meet customers’ diverse needs, such as issuing a membership card with cashing privileges based on business tie-ups with other companies or commercial organizations or providing consumer loans through business tie-ups.

The Company has continued to extend its payment/withdrawal channel, forming alliances with financial institutions and convenience stores. At the end of September 2004, Promise had a total of 120,781 locations (105,987 ATMs and CDs, 14,794 convenience stores) in its payment/withdrawal channel, including its own ATMs and those of its 429 alliance partners, making it the industry leader in terms of network scale. The Company has also worked to provide customers with an environment where it is “easy to borrow, easy to repay” no matter what the time or place, making repayment using its Internet Repayment Service, an Internet banking-based instant repayment system, free of commission charges and expanding the number of financial institutions that can be used to withdraw or repay funds.

In response to customers demand for shorter loan approval times, the Company has been progressing with the installation of *Chosoku* loan processing machines. *Chosoku* are compact, low-cost terminals that require only 5-10 minutes to process new applications, conduct provisional credit analyses, and issue temporary cards. At the end of September 2004, a total of 339 of these terminals had been installed, principally in commercial areas in major cities and in suburban shopping centers. At staffed branches and other existing channels, the Company strove to strengthen sales capabilities and achieve low-cost operations by reviewing operations from the point of view of customer processing flow and changing branch types or combining branches.

(Acquiring new profit bases)

The Company is developing a loan guarantee business that provides guarantees for the unsecured consumer loans of other financial institutions. By leveraging its lending know-how cultivated over many years in the consumer finance industry, Promise is aiming to establish a new profit base in this field. In June 2004, the Company formed a business agreement with The Gifu Bank, Ltd., bringing the number of banks with which Promise has a loan guarantee agreement to three. The resulting balance of loan guarantees is firm, totaling ¥3,826 million at the end of September 2004.

From the point of view of efficient use of business resources, the Company is opening up its own ATM network throughout Japan to other companies. At the end of September 2004, a total of 29 companies had access to Promise's ATM network: 3 bank affiliated credit card companies, 9 sales finance (*shinpan*) companies and 17 consumer finance companies, of which 3 were Promise Group companies.

With the consumer finance business as its core business, the Company plans to utilize its know-how in this area to establish new profit bases in other finance and peripheral financial businesses to expand its business base and strengthen its earning power.

[2] Other Businesses

In other businesses, such peripheral financial business as the telemarketing business of Net Future Co., Ltd., and the system development for financial institutions operated by STC Co., Ltd. (System Trinity Co., Ltd. changed its name to STC Co, Ltd., in July 2004), the Company is pursuing the development of new business outside the Group, targeting the expansion of its earning base.

Nevertheless, other businesses revenues declined during the interim period under review against a backdrop of intensified competition in the Japanese market and the June 2004 sale of the installment credit assets of Liang Jing Co., Ltd., an automobile installment sales company in Taiwan, to the International Bank of Taipei as part of a strategy to concentrate Group business resources. Other operating revenues for the interim period declined ¥1,435 million, or 20.3%, to ¥5,651 million.

As a result of the aforementioned activities, in the interim period ended September 30, 2004, consolidated operating income declined ¥15,418 million, or 7.6%, from the same period in the previous fiscal year, to ¥186,605 million. The slight decrease in the balance of loans outstanding in the core consumer finance business was the principal factor in the decline. Despite the fall in operating income, cost reduction benefits realized from structural reforms combined with lower credit losses recorded against the backdrop of a decrease in personal bankruptcy petitions helped recurring profit increase ¥23,736 million, or 53.8%, from the interim period in the previous fiscal year, to ¥67,877 million, while interim net income rose ¥13,336 million, or 49.9%, to ¥40,080 million.

2) Financial Position

Assets, liabilities, and shareholders' equity at the end of the interim period ended September 30, 2004, are shown below.

Total assets	¥1,710,632 million	(down 0.5% from March 31, 2004)
Shareholders' equity	¥765,032 million	(up 20.2% from March 31, 2004)
Shareholders equity ratio	44.7%	(up 7.7 percentage points from March 31, 2004)

Total assets at the end of the interim period under review declined ¥8,088 million from the end of the previous fiscal year as previously mentioned. The decease is mainly attributable to a ¥6,516 million decline in outstanding unsecured loans, the Promise Group's core business, and a ¥6,174 million decrease in notes and accounts receivable in conjunction with the sale of the installment credit assets of Liang Jing Co., Ltd.

Total liabilities declined ¥136,454 million, reflecting mainly a ¥88,033 million decline in borrowing and a ¥20,000 million drop in corporate bonds outstanding.

Shareholders' equity rose ¥128,365 million from the end of the previous fiscal year. As a result of the third-party allotment of 8,900,000 shares and sale of 4,330,000 treasury shares to Sumitomo Mitsui

Banking Corporation, common stock increased ¥31,684 million and additional paid-in capital expanded ¥46,045 million. There was a ¥17,436 million decrease in treasury stock, which is a deductible item, and retained earnings advanced ¥33,833 million due to the increase in net income.

Consolidated cash flows for the interim period ended September 30, 2004 are shown as follows:

Net cash provided by operating activities totaled ¥37,098 million; net cash provided by investing activities amounted to ¥10,695 million; and net cash used in financing activities amounted to ¥21,431 million. As a result, at the end of the interim period under review, cash and cash equivalents were up ¥26,678 million, or 26.4%, from the end of the previous fiscal year, to ¥127,789 million.

(Net cash provided by operating activities)

Net cash provided by operating activities totaled ¥37,098 million, an improvement of ¥7,752 million from the same period in the previous fiscal year. The increase was due mainly to a larger decrease in consumer loans receivable and a decrease in income taxes paid.

(Net cash provided by investing activities)

Net cash provided by investing activities fell ¥58,624 million year on year, to ¥10,695 million. Although there were cash inflows from proceeds from sales or redemption of investments in securities, the sale of consolidated subsidiary GC Co., Ltd. in the previous fiscal year and proceeds from collection of loans receivable declined.

(Net cash used in financing activities)

Net cash used in financing activities amounted to ¥21,431 million, representing an improvement of ¥25,208 million from the same period in the previous fiscal year. Despite greater constraints on fund raising, through borrowings and corporate bond issuance, compared with the previous fiscal year, net cash used in financing activities declined because of the proceeds from the third-party allotment of stock and the sale of treasury stock to Sumitomo Mitsui Banking Corporation.

3) Outlook for Fiscal Year Ending March 31, 2005

The Japanese economy is expected to continue its mild recovery supported by growth in exports and expansion in domestic private-sector demand. Despite this improvement, the tardiness in the recovery in the employment environment and personal incomes and the still high level of personal bankruptcy petitions suggest a continued difficult business climate.

Under these circumstances, the Company will continue to give priority to the issues of minimizing nonperforming loans and increasing customer retention to secure a stable flow of earnings and achieve corporate growth.

To those ends, the Promise Group continues to emphasize improving loan quality and deploying a full-line interest rate strategy that is aimed at meeting the funding needs of a diverse consumer base. In doing so, the Group aims to diversify its risk exposure while increasing its loan balance. The Group is also expending ongoing efforts to expand peripheral financial businesses and its overseas financial business.

To realize the concept of “Promise is number one in the minds of customers,” the Company will continue to pursue structural reforms, establish a corporate infrastructure and expand its services for customers. In addition, Promise will take steps to ensure an early materialization of operations under the strategic alliance with Sumitomo Mitsui Financial Group.

For the fiscal year ending March 31, 2005, the Company is forecasting operating income of ¥367,757 million, a decline of 5.9% from the previous fiscal year. Recurring profit is expected to rise 21.5% to ¥109,200 million, while net income is projected to expand 51.5% to ¥63,000 million.

Note: Figures in the sections “Management Policies” and “Business Results” and “Financial Condition” do not include consumption tax.

(3) Business Risk

The following is a discussion of the major factors thought to have an impact on the business, performance, and financial conditions of the Promise Group. Matters that may not necessarily be equivalent to risk but are deemed important for investment decisions and a better understanding of the Group’s business activities have also been included from the point of view of providing greater disclosure for investors.

Cognizant of the potential risks described below, the Promise Group takes steps to prevent these risks from materializing and to respond promptly when problems arise. However, it should be noted that the risks described below do not represent complete coverage of the risks faced by the Group. Forward-looking statements contained in the following text are based upon assessments made as of September 30, 2004.

1) Regulatory risk regarding restrictions on interest rates on loans

The maximum interest rate under the Law Concerning Control on Acceptance of Capital Contributions, Deposits and Interest (hereinafter termed the "Capital Subscription Law") is 29.2%. All of the Group's consumer finance companies in Japan lend money at interest rates below this ceiling. However, Article 12, Paragraph 2 of the supplementary provisions of the Partial Revision Law regarding the Money Lending Business Control and Regulation Law and Law Concerning Control on Acceptance of Capital Contributions, Deposits and Interest (hereinafter termed the "Money-Lending and Capital Subscription Partial Revision Law"), which was announced on August 1, 2003, states that the ceiling on interest rates stipulated in Article 5, Paragraph 2 of the Capital Subscription Law shall be reviewed as necessary about three years after the enforcement of the Money Lending and Capital Subscription Partial Revision Law. If the maximum interest rate is revised to a figure lower than the current one, this may have a negative impact on the business and performance of the Promise Group.

A portion of this maximum interest rate is in excess of the maximum interest rate chargeable stipulated in Article 1, Paragraph 1 of the Interest Rate Restriction Law (allowed annual rates on loans with principal of less than ¥100,000, 20%; with principal of ¥100,000 or more but less than ¥1,000,000, 18%; with principal of ¥1,000,000 or more, 15%). Under Article 1, Paragraph 1 of the Interest Rate Restriction Law, interest rate agreements on consumer loans made for commercial purposes for this portion are invalid. However, according to Paragraph 2 of the same article, if the debtor voluntarily pays this excessive portion, the debtor is not entitled to request a refund.

Moreover, according to Article 43 of the Money Lending Business Control and Regulation Law (hereinafter termed the "Regulatory Law"), if the debtor complies with all the requirements of voluntarily paying the excessive portion as interest, receives the written documents stipulated in Article 17 of the Regulatory Law at the time of concluding the loan agreement and receives a receipt as stipulated in Article 18 of the same law immediately on payment, the transaction will be deemed a valid repayment of interest on the debt regardless of the provisions of Article 1, Paragraph 1 of the Interest Rate Restriction Law.

Nevertheless, on June 1, 2000, the Financial Services Agency revised its business guidelines for the industry, placing a stricter obligation on operators to supply borrowers with proper documentation. As a result, the number of suits by borrowers demanding reimbursement of the said excessive portion due to the lack of proper documentation has increased annually, and several decisions ruling against the application of Article 43 of the Regulatory Law have been handed down by the legal system. In the future, should the number of such suits increase and the total reimbursement amount rise or further revisions be made in the laws and regulations, they could have a negative influence on the performance of the Promise Group.

2) Regulatory risk regarding business restrictions under the Regulatory Law

The consumer finance companies of the Promise Group have been registered as operators as stipulated in Article 3 of the Regulatory Law and are governed by the various business regulations of that law (prohibition of excessive lending, disclosure of loan conditions, publicizing of loan conditions, prohibition of exaggerated advertising, exchange of written documentation, exchange of receipts, booking of loans, restrictions on obtaining a blank power of attorney, restrictions on loan collection activities, return of loan agreement, disclosure of official registration details, restrictions on resale of loans).

As the regulator of the consumer finance industry, the Financial Services Agency has the power to take administrative measures, including suspension of the operations or a portion of the operations of an operator that has violated the laws or regulations and cancellation of the operator's registration.

The moneylenders associations of each prefecture and the Federation of Moneylenders Association of Japan also have self-regulatory rules to ensure sound lending, loan collection and advertising. The companies of the Promise Group comply with these rules.

Despite the Group's efforts to comply with regulations, in the event that some violation triggered administrative measures by the regulator or business became more restricted as a result of a change due to a revision of laws, the performance of the Promise Group or future business development could be affected.

3) Risk regarding multiple indebtedness problem and loans made to consumers

In recent years, against the backdrop of the economic conditions in Japan and the establishment of a legal framework for consumer debt relief (passing of the Designated Mediator Law and the individuals for Civil Rehabilitation laws and the revision of the Judicial Scrivener Law), increases in multiple indebtedness among individuals (including customers of the Promise Group) and in the number of individuals seeking legal protection from creditors under personal bankruptcy laws have become social issues.

In response to these issues, in January 1997, the consumer finance industry formed the Liaison Group of Consumer Finance Companies to carry out activities to enlighten and educate consumers and to financially support various related counseling services.

The Promise Group also uses data from consumer credit associations and its own credit appraisal system to evaluate the loan repayment capability of customers and continues to regularly revise credit limits after the loan has been made. Based on this system, the Group avoids excessive credit risk and seeks to prevent an increase in multiple indebtedness among individuals and curtail the occurrence of uncollectible loans. Furthermore, the Group provides for expected future credit losses by booking a provision for uncollectible loans as necessary in view of calculations based on such details as the historical default rate and the balance of loans outstanding.

In spite of these precautions, should economic conditions suddenly deteriorate or the quality of loans suddenly worsen due to changes in the legal system or the numbers of people applying for bankruptcy or legal arbitration increase, loan losses would increase and could impact on the performance of the Promise Group.

4) Risk regarding the handling of personal information and the information privacy law

Because the core business of the Promise Group is consumer finance in which the Group provides loans based on the credit standing of customers, the Group is a member of personal credit information bureaus and can access bureau databases.

The Promise Group treats this personal data as highly confidential information and takes appropriate steps to protect it and ensure its proper use. Access to the databases of personal credit information bureaus is limited to registered employees and access logs and other measures are used to prevent abuse. Moreover, the Group carries out thorough compliance training, and takes other preemptive steps to prevent the leakage of information from within the Group.

Nevertheless, if for some reason a problem were to arise because of the leakage of customer information, the repercussions could adversely affect the Promise Group's performance and business development.

On May 30, 2003, the fundamental sections of the law protecting the privacy of personal information were announced and brought into force. Under this law, businesses handling personal information (major companies of the Promise Group fall into this category) are obliged to make certain reports to the authority if deemed necessary. For violations of this obligation, the minister of the main authority is empowered to advise or command that necessary measures be taken if they are recognized to be in the best interests of the individuals. At this point, it is difficult to determine what impact the information privacy law will have on business because individual guidelines have not been issued. However, along with the full enforcement of the law on April 1, 2005, individual guidelines will be issued. Resulting business restrictions could have a negative effect on the performance of the Promise Group.

5) Risk regarding the liberalization of regulations

Recently, the Ministry of Finance and other government organizations have adopted measures to deregulate the financial system and to promote competition. And various plans for further deregulation of financial services companies are in progress. The effects have been seen even in the consumer finance industry, where joint ventures have been formed with banks and foreign financial services companies and companies from other industries have entered the market.

Because the previously mentioned laws have placed greater restrictions on moneylenders, it is difficult to foresee more companies from other industries entering the consumer finance market at this time. However, should these regulations be liberalized, and the number of new market entrants increase or a major capital tie-up or merger or acquisition be concluded by a company with abundant capital resources, it could create a new competitive playing field within the industry that might have a negative impact on the performance of the Promise Group.

6) Fund raising and interest rates on financing

Since the enforcement of the Nonbank Bond Issuing Law in May 1999, the Promise Group has actively issued bonds. Moreover, the Group has sought to diversify its funding sources with borrowings from financial institutions, fixed interest rate long-term bonds and syndicated loans. To minimize interest rate risk, the Group hedges its exposure using interest rate caps and uses interest rate swaps while also obtaining commitment line agreements to secure alternate sources of funds in preparation for sudden changes in the financing environment. Through these and other measures, the Group aims to achieve stable fund procurement at low cost.

The Promise Group does not anticipate any difficulties in raising funds under current conditions. However, should interest rates rise or should the financing environment deteriorate markedly beyond currently foreseen levels, systematic fund raising might become difficult and adversely influence Group performance.

7) Potential of computer system failure

As a result of progressive use of IT systems along with the expansion of its consumer finance business, the Promise Group has come to depend much more on its computer systems and networks. For that reason, the Group has implemented measures to deal with system problems, such as strengthening security, creating a backup system for data and adding and updating hardware to cope with greater volumes of data and higher access frequency. Regardless of these measures, if human error or a natural disaster were to cause a problem with the Group's computer systems, it could not only directly damage the operations of the Promise Group but also result in a loss in confidence in the services being offered by the Promise Group.

8) Business and capital alliance with Sumitomo Mitsui Financial Group, Inc.

As previously mentioned, the Company has formed a business and capital alliance with Sumitomo Mitsui Financial Group. In the future, the Company will consider each of the members of Sumitomo Mitsui Financial Group as a strategic partner in the consumer finance business, combining the brand power and know-how developed by both sides to provide top-class products and services to the customers of both partners. However, if there were a change in the Banking Law or other related laws or if Sumitomo Mitsui Banking Corporation were to acquire more than a certain proportion of the outstanding shares of Promise Co., Ltd., it is possible that operations might be restricted to the scope of the businesses of the Company or its subsidiaries.

9) Group strategy and performance trends

The business climate of the Promise Group includes rising credit losses due to the deteriorating quality of the loan portfolio, falling numbers of customers due to declining spending sentiment among consumers, increasing competition from market entrants from other fields and growing competition with other companies in the market. Consequently, each of the companies of the Group faces a difficult operating environment.

In response, the Promise Group has initiated a variety of measures, pursuing a Group strategy centered on the full-line interest rate strategy. In the event that the Promise Group is not able to achieve results as planned under the Group strategy because of a change in the direction of the economy or in the competitive conditions, such a situation could have a negative impact on the performance of the Promise Group.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

Classification	FY 2004 interim period (Sept. 30, 2003)			FY 2005 interim period (Sept. 30, 2004)			FY 2004 (Summary) (Mar. 31, 2004)		
	Amount		%	Amount		%	Amount		%
(Assets)									
I Current assets									
1 Cash and deposits		74,169			89,867			52,233	
2 Notes and accounts receivable		8,792			1,264			7,439	
3 Consumer loans receivable: Principal		1,559,517			1,522,537			1,529,054	
4 Short-term loans		87,261			38,028			48,994	
5 Deferred tax assets		33,208			28,568			40,337	
6 Other		32,250			32,754			28,895	
Allowance for credit losses		(124,640)			(129,868)			(133,392)	
Total current assets		1,670,558	94.0		1,583,153	92.5		1,573,562	91.6
II Fixed assets									
1 Property and equipment									
(1) Buildings and structures	29,263			31,305			31,355		
Accumulated depreciation	14,036	15,227		14,824	16,481		14,223	17,132	
(2) Furniture, fixtures and equipment	35,041			30,952			30,660		
Accumulated depreciation	26,988	8,052		21,048	9,903		20,217	10,442	
(3) Land		12,905			51,555			52,061	
Total property and equipment		36,185	2.0		77,940	4.6		79,636	4.6
2 Intangible fixed assets									
(1) Excess investment cost over net assets of consolidated subsidiaries acquired, net		6,094			5,204			5,649	
(2) Other		6,511			5,616			6,114	
Total intangible fixed assets		12,606	0.7		10,820	0.6		11,763	0.7
3 Investments and advances									
(1) Investments in securities		30,611			19,544			34,742	
(2) Deferred tax assets		8,597			4,963			3,933	
(3) Other		18,549			14,210			15,081	
Total investments and advances		57,759	3.3		38,717	2.3		53,758	3.1
Total fixed assets		106,551	6.0		127,479	7.5		145,158	8.4
Total assets		1,777,110	100.0		1,710,632	100.0		1,718,721	100.0

(Millions of yen)

Classification	FY 2004 interim period (Sept. 30, 2003)		FY 2005 interim period (Sept. 30, 2004)		FY 2004 (Summary) (Mar. 31, 2004)	
	Amount	%	Amount	%	Amount	%
(Liabilities)						
I Current liabilities						
1 Trade	287		137		189	
2 Short-term borrowings	27,464		13,091		15,423	
3 Current portion of long-term debt	209,796		206,911		196,998	
4 Bonds scheduled for redemption within one year	30,000		30,000		50,000	
5 Accrued income taxes	26,236		16,688		15,739	
6 Reserve for bonuses	4,502		3,592		3,678	
7 Accruals for debt guarantees	28		134		70	
8 Other	15,348		10,720		41,126	
Total current liabilities	313,664	17.6	281,275	16.5	323,226	18.8
II Long-term liabilities						
1 Corporate bonds	275,000		255,000		255,000	
2 Long-term debt	537,013		389,027		484,642	
3 Accrued severance indemnities	19,971		14,712		13,333	
4 Allowance for retirement benefits for directors and auditors	343		338		361	
5 Accruals for loss guarantees	2,700		2,700		2,700	
6 Other	3,312		2,545		2,789	
Total long-term liabilities	838,340	47.2	664,324	38.8	758,827	44.2
Total liabilities	1,152,005	64.8	945,599	55.3	1,082,054	63.0
(Minority interest)						
Minority interest	—	—	—	—	—	—
(Shareholders' equity)						
I Common stock	49,053	2.8	80,737	4.7	49,053	2.9
II Additional paid-in capital	92,287	5.2	138,333	8.0	92,287	5.4
III Retained earnings	503,743	28.3	546,618	32.0	512,784	29.8
IV Net unrealized gain on securities	1,447	0.1	3,504	0.2	4,150	0.2
V Foreign currency translation adjustments	(219)	(0.0)	(801)	(0.0)	(813)	(0.1)
VI Treasury stock	(21,207)	(1.2)	(3,359)	(0.2)	(20,795)	(1.2)
Total shareholders' equity	625,105	35.2	765,032	44.7	636,667	37.0
Total liabilities, minority interest and shareholders' equity	1,777,110	100.0	1,710,632	100.0	1,718,721	100.0

(2) Consolidated Statements of Income

(Millions of yen)

Classification	FY 2004 interim period (Apr.1, 2003—Sept. 30, 2003)			FY 2005 interim period (Apr.1, 2004—Sept. 30, 2004)			FY 2004 (Summary) (Apr.1, 2003—Mar. 31, 2004)		
	Amount		%	Amount		%	Amount		%
I Operating income									
1 Interest on consumer loans		188,720			177,757			368,662	
2 Other financial revenues		31			10			40	
3 Sales		4,817			1,885			8,199	
4 Other operating income		8,455			6,951			14,077	
Total operating income		202,024	100.0		186,605	100.0		390,980	100.0
II Operating expenses									
1 Financial expenses		11,012			9,546			21,398	
2 Cost of sales		4,266			1,114			7,151	
3 Other operating expenses									
(1) Advertising expenses	7,930			8,625			15,608		
(2) Provision for uncollectible loans	76,074			49,265			136,525		
(3) Credit losses	—			—			9,887		
(4) Employees' salaries and bonuses	13,836			10,506			30,882		
(5) Provision for bonuses	4,582			3,460			3,806		
(6) Allowance for employee retirement benefits	3,351			1,956			3,160		
(7) Allowance for retirement accounts for directors and auditors	41			41			85		
(8) Employee welfare expenses	2,468			1,563			4,169		
(9) Rent expenses	6,929			4,945			12,758		
(10) Depreciation	3,745			3,324			6,768		
(11) Fee expenses	8,570			8,818			17,713		
(12) Communications expenses	2,635			2,203			4,893		
(13) Amortization of difference between cost of investment and equity in net assets of consolidated subsidiaries	408			445			854		
(14) Other	13,697	144,271		14,346	109,502		27,447	274,560	
Total operating expenses		159,550	79.0		120,163	64.4		303,111	77.5
Operating profit		42,474	21.0		66,441	35.6		87,869	22.5
III Non-operating revenues									
1 Interest and dividend income on investments	1,495			1,308			1,559		
2 Insurance money received and insurance dividends	—			40			242		
3 Equity in earnings of Tokumei Kumiai	251			253			691		
4 Equity in net gain of affiliated companies	8			166			94		
5 Other	264	2,019	1.0	291	2,059	1.1	428	3,016	0.8

(Continued) (Millions of yen)

Classification	FY 2004 interim period (Apr.1, 2003—Sept. 30, 2003)			FY 2005 interim period (Apr.1, 2004—Sept. 30, 2004)			FY 2004 (Summary) (Apr.1, 2003—Mar. 31, 2004)		
	Amount		%	Amount		%	Amount		%
IV Non-operating expenses									
1 Interest expense	105			51			192		
2 Write off of new common stock issue expenses	—			230			—		
3 Expense for relocation of offices	70			116			346		
4 Other	177	352	0.2	225	623	0.3	488	1,027	0.3
Recurring profit		44,141	21.8		67,877	36.4		89,858	23.0
V Extraordinary income									
1 Gain on sales of investment in subsidiaries	12,659			—			12,868		
2 Net gain on sales of investments in securities	102			325			503		
3 Other	—	12,761	6.3	5	330	0.1	1	13,373	3.4
VI Extraordinary losses									
1 Net loss on sales or disposal of property and equipment	178			146			1,862		
2 Asset impairment loss	—			441			—		
3 Loss on sale of receivables	—			385			—		
4 Net loss on sales of investments in securities	30			—			61		
5 Impairment loss on deposits for golf club membership	24			1			66		
6 Allowance for indemnity losses	2,700			—			2,700		
7 Special retirement payments	—			—			18,745		
8 Other	197	3,131	1.5	15	989	0.5	657	24,094	6.2
Income before income taxes		53,772	26.6		67,218	36.0		79,138	20.2
Income taxes Current	26,400			16,163			41,283		
Deferred	627	27,028	13.4	11,185	27,349	14.6	(3,722)	37,561	9.6
Minority interest		—			211	0.1		—	
Net income		26,743	13.2		40,080	21.5		41,576	10.6

(3) Consolidated Statement of Retained Earnings

(Millions of yen)

Classification	FY 2004 interim period (Apr.1, 2003—Sept. 30, 2003)		FY 2005 interim period (Apr.1, 2004—Sept. 30, 2004)		FY 2004 (Summary) (Apr.1, 2003—Mar. 31, 2004)	
	Amount		Amount		Amount	
(Additional paid-in capital)						
I Additional paid-in capital at beginning of period		92,287		92,287		92,287
II Increase in additional paid-in capital						
1 Shares issued in capital increase	—		31,684		—	
2 Gain on disposal of treasury shares	—	—	14,361	46,045	—	—
III Additional paid-in capital at end of period		92,287		138,333		92,287
(Retained earnings)						
I Retained earnings at beginning of period		483,972		512,784		483,972
II Increase in retained earnings						
Net income		26,743		40,080		41,576
III Decrease in retained earnings						
1 Cash dividends paid	6,245		6,049		12,291	
2 Bonuses to directors and corporate auditors	100		84		100	
3 Loss on sales of treasury stock	288		—		33	
4 Decrease due to inclusion of a company in consolidation	338	6,973	112	6,246	338	12,764
IV Retained earnings at end of period		503,743		546,618		512,784

(4) Consolidated Statements of Cash Flows

(Millions of yen)

Classification	FY 2004 interim period (Apr.1, 2003— Sept. 30, 2003)	FY 2005 interim period (Apr.1, 2004— Sept. 30, 2004)	FY 2004 (Summary) (Apr.1, 2003— Mar. 31, 2004)
	Amount	Amount	Amount
I Operating activities			
1 Income before income taxes	53,772	67,218	79,138
2 Depreciation and amortization	3,745	3,324	6,768
3 Asset impairment loss	—	441	—
4 Loss on sale of receivables	—	385	—
5 Amortization of difference between cost of investment and equity in net assets of consolidated subsidiaries	408	445	854
6 Increase (decrease) in allowance for credit losses	17,722	(4,564)	26,856
7 Increase (decrease) in provision for bonuses	17	(86)	(806)
8 Increase in accruals for debt guarantees	28	64	70
9 Increase (decrease) in provision for accrued severance indemnities	2,474	1,379	(4,163)
10 Increase (decrease) in allowance for retirement benefits for directors and auditors	27	(22)	46
11 Increase in accruals for loss guarantees	2,700	—	2,700
12 Interest and dividend income on investments	(1,495)	(1,308)	(1,559)
13 Interest expense	105	51	192
14 Equity in net gain affiliated companies	(8)	(166)	(94)
15 Gain on sales of investment in subsidiaries	(12,659)	—	(12,868)
16 Net gain on sales of investments in securities	(102)	(325)	(503)
17 Net loss on sales or disposal of property and equipments	178	146	1,862
18 Equity in earnings of Tokumei Kumiai	(251)	(253)	(691)
19 Special retirement payments	—	—	18,745
20 Decrease in consumer loans receivable: Principal	850	6,619	29,572
21 Decrease in sales credits	2,148	5,748	4,185
22 Decrease (increase) in procurement obligations	(1,278)	(6,270)	4,550
23 Other	(8,469)	(2,736)	(4,950)
Subtotal	59,915	70,092	149,904
24 Interest and dividend income	1,498	1,305	1,572
25 Interest expense	(105)	(51)	(192)
26 Special retirement payable	—	(18,745)	—
27 Income taxes paid	(31,962)	(15,501)	(57,316)
Net cash provided by operating activities	29,346	37,098	93,967
II Investing activities			
1 Payment for purchase of property and equipment	(428)	(3,980)	(44,389)
2 Proceeds from sales of property and equipment	10	107	31
3 Payment for purchase of investments in securities	—	(5)	(0)
4 Proceeds and redemption from sales of investments in securities	420	14,261	1,569
5 Proceeds from sales of investments in subsidiaries	25,038	—	25,247
6 Payment for purchase of shares of subsidiaries	—	(319)	(357)
7 Payment for loans made	—	—	(30)
8 Proceeds from collection of loans receivable	41,803	21	41,816
9 Other	2,475	611	5,069
Net cash provided by investing activities	69,319	10,695	28,956

(Continued) (Millions of yen)

Classification	FY 2004 interim period (Apr.1, 2003— Sept. 30, 2003) Amount	FY 2005 interim period (Apr.1, 2004— Sept. 30, 2004) Amount	FY 2004 (Summary) (Apr.1, 2003— Mar. 31, 2004) Amount
III Financing activities			
1 Net repayment of commercial paper	(206)	(2,036)	(420)
2 Proceeds from short-term borrowings	44,044	23,466	71,670
3 Repayments of short-term borrowings	(38,719)	(25,894)	(77,769)
4 Proceeds from long-term debt	118,870	27,836	177,314
5 Repayments of long-term debt	(132,357)	(113,590)	(255,111)
6 Proceeds from issuance of bonds, net of expenses	14,896	9,901	14,896
7 Redemption of bonds	(32,000)	(30,000)	(32,000)
8 Proceeds from issuance of shares	—	63,137	—
9 Proceeds from sale of treasury stock	489	31,799	1,159
10 Increase in treasury stock	(15,414)	(2)	(15,417)
11 Cash dividends paid	(6,245)	(6,049)	(12,291)
Net cash used in financing activities	(46,640)	(21,431)	(127,970)
IV Effect of exchange rate changes on cash and cash equivalents	3	1	(91)
V Net increase (decrease) in cash and cash equivalents	52,030	26,364	(5,138)
VI Cash and cash equivalents at beginning of period	105,760	101,110	105,760
VII Effect of the increase in scope of consolidated subsidiaries	487	313	487
VIII Cash and cash equivalents at end of period	158,278	127,789	101,110

(5) Material Items in Basis of Presentation of Interim Consolidated Financial Statements

1) Scope of Consolidation

[1] Number of consolidated subsidiaries: 9

Company name

[Domestic]: Plat Corporation
Sun Life Co., Ltd.
PAL Servicer Co., Ltd.
PAL Life Co., Ltd.
Net Future Co., Ltd.
STC Co., Ltd. (Note)
Total of 6 companies

Note: System Trinity Co., Ltd. changed its name to STC Co., Ltd., effective July 1, 2004.

[Overseas]: PROMISE (HONG KONG) CO., LTD.
Liang Jing Co., Ltd.
PROMISE (TAIWAN) Co., Ltd.
Total of 3 companies

Due to the increased materiality of the business operations of PROMISE (TAIWAN) Co., Ltd., it has been included in the scope of consolidation commencing with the interim period under review.

[2] Major non-consolidated subsidiaries

PROMISE (EUROPE) S.A. and other 2 subsidiaries

(Reason for exclusion from consolidation)

The remaining non-consolidated subsidiaries at September 30, 2004 were not consolidated because their aggregate amounts of assets, operating income, net income (amount corresponding with equity), and retained earnings (amount corresponding with equity) were not material to the consolidated results of operations.

2) Application of the Equity Method

[1] Number of companies to which equity method has been applied: 1

Company name: MOBIT CO., LTD.

[2] The equity method was not applied to non-consolidated subsidiary PROMISE (EUROPE) S.A. and affiliated company NANJING SHENZHOU SEED INDUSTRY CO., LTD. because their net income (amount corresponding with equity) and retained earnings (amount corresponding with equity) were not material to consolidated net income and retained earnings, respectively, and have no overall material influence on the Company's operations.

[3] The date of application of the equity method coincides with the last day of the interim period.

3) Interim Period-End for Consolidated Subsidiaries

Consolidated subsidiaries whose interim period-end differs from the end of the consolidated interim period-end are as follows:

Company Name	Interim Period-End
PROMISE (HONG KONG) CO., LTD.	June 30
Liang Jing Co., Ltd.	June 30
PROMISE (TAIWAN) Co., Ltd.	June 30

For the above consolidated subsidiaries, financial statements compiled as of their respective interim period-ends are used to tabulate consolidated results. However, material events that occur between that time and the end of the consolidated fiscal year-end are necessarily reflected in the consolidated financial statements.

4) Summary of Significant Accounting Policies

[1] Standards and Methods for Valuing Material Assets

a. Investment securities

Other securities

1. Marketable Other securities are stated at market value as of the interim period-end. Adjustments to market value are recorded as an increase or decrease in shareholders' equity. Costs of their sales are determined by the moving average method.
2. Other securities that are not marketable are stated at cost, with cost being determined by the moving average method.

b. Derivatives

Derivatives are stated at market value.

[2] Method of Depreciation of Material Depreciable Assets

a. Property and equipment

Property and equipment are principally depreciated using the declining-balance method.

However, buildings (excluding associated equipment) acquired on or after April 1, 1998 are depreciated using the straight-line method over the estimated useful lives of the assets.

The main useful lives are as follows:

Buildings and structures	: 3–50 years
Equipment and fixtures and vehicles	: 2–20 years

b. Intangible fixed assets

Intangible fixed assets are depreciated using the straight-line method.

However, amortization of computer software (for internal use) is principally calculated using the straight-line method over five years, the estimated useful life.

c. Long-term prepaid expenses

Long-term prepaid expenses are amortized on an average basis.

[3] Accounting Basis for Reserves

a. Allowance for credit losses

The allowance for credit losses is provisioned at the actual loss rate.

Additional provisions are made in amounts deemed necessary to cover possible non-collectible accounts in accordance with the state of consumer loans outstanding.

In addition, overseas subsidiaries provision the reserve in amounts based on the probability of debt recovery.

b. Reserve for bonuses

Reserve for bonuses to employees on the payroll at the end of the interim period is provisioned based on the expected payment amount.

c. Accruals for debt guarantees

Accruals for debt guarantees are provided to cover possible future losses on guarantees at the end of the interim period.

d. Accrued severance indemnities

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 interim period is charged to income as incurred.

The accrued severance indemnities for executive officers are determined separately based on the required payment amount at the end of the interim period as stipulated in the Company's bylaws.

e. Allowance for retirement benefits for directors and auditors

The past service cost for directors is determined based on the required payment amount at the end of the interim period as stipulated in the Company's bylaws.

f. Accruals for loss guarantees

The Company has made a provision for estimated loss to cover non-collectible amounts of claims for indemnities due to the sales of investments in subsidiaries.

[4] Foreign Currency Translations (assets and liabilities denominated in major foreign currencies)

Foreign-currency denominated receivables and payables are translated into Japanese yen at the spot rate prevailing on the respective balance sheet dates. Translation differences are treated as gains and losses.

Assets and liabilities of overseas companies are translated into Japanese yen at the prevailing spot rate on the respective balance sheet dates. Income and expenses are translated at the average rate for the period. Translation differences are included in Foreign currency translation adjustments in Shareholders' equity on the balance sheet.

[5] Lease Transactions

Where financing leases do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property is not capitalized and the lease expenses are charged to income in the period they are incurred.

[6] Hedging

a. Hedge accounting method

The Company uses deferral hedge accounting.

Exceptional accounting is used to account for interest rate swap agreements and interest rate cap agreements that meet specified conditions.

b. Hedging instruments and hedging targets

Hedging instruments: Interest rate cap agreements and interest rate swap agreements

Hedging targets : Funds procured at variable interest rates, for which a rise in market interest rates will contribute to an increase in fund procurement costs (interest payment).

c. Hedging policy

The basic hedging policy is to minimize the impact of sharp movements in interest rates on procured funds.

d. Determining hedging effectiveness

The hedging instruments are measured for effectiveness by correlation with respect to the difference between interest rate indicators upon the instruments and positions being hedged.

e. Risk management system

The Company manages market risk in accordance with methods for managing the various risks arising from financial activities as set forth in Guidelines for Managing Risk by Type, which is contained in Financial Regulation.

Guidelines for Managing Risk by Type is revised in a timely manner in response to changes in the risk environment, whereupon such revisions shall be reported to the Board of Directors.

Also, consolidated subsidiaries conduct hedging transactions with prior approval from the Company.

[7] Other Material Items Related to Basis of Presentation of Interim Consolidated Financial Statements

a. Accounting for revenues and expenses

Interest on consumer loans

Interest on consumer loans is recognized on an accrual basis.

For the Company and domestic subsidiaries, accrued interest on loans is determined using the lower of the interest rate specified in the Interest Rate Restriction Law or the contracted interest rate. For overseas subsidiaries, accrued interest is determined using the contracted interest rate.

b. Accounting for consumption taxes

National consumption taxes and regional consumption taxes are accounted for at the Company using the net-of-tax method, with the same method principally applied at subsidiaries.

However, consumption taxes not subject to fixed asset related exclusion are recorded in Other in Investments and advances on the relevant interim balance sheets and are amortized over five years.

5) Funds Included on Interim Consolidated Statement of Cash Flows

Funds (cash and cash equivalents) included on the interim consolidated statement of cash flows include cash on hand, deposits readily convertible to cash, and instruments easily converted to cash. Also included are short-term investments that mature within three months and that carry little risk of price fluctuation.

6) Changes in Accounting Practices

Accounting standards for impairment of fixed assets

As it has become possible for companies to implement accounting standards for impairment of fixed assets (Opinion on the Establishment of Accounting Standards for Impairment of Fixed Assets (Business Accounting Council, August 9, 2002)) and Guidance on Accounting Standards for Impairment of Fixed Assets (Accounting Standards Board of Japan, Practical Guidance No. 6, October 31, 2003) for financial statements relating to the fiscal year ended March 31, 2004, the Company has adopted said accounting standards and guidance commencing with the interim period of the fiscal year ending March 31, 2005. Application of these standards resulted in a reduction of ¥441 million in income before income taxes compared with the previous accounting practices.

The cumulative impairment loss after revision has been directly charged to individual asset accounts in accordance with regulations for presenting the interim consolidated financial statements.

7) Additional Information

The Local Taxes Amendment Law (2003 Law No. 9) was promulgated on March 31, 2003, resulting in the introduction of a pro-forma standard taxation system for fiscal years commencing on or after April 1, 2004. In accordance with the introduction of this system, the added value and asset portions of enterprise tax are recorded in Other operating expenses as given in Practical Solution on Presentation for Corporate Size Based Aspect of Corporate Income Tax on Income Statement (Accounting Standards Board of Japan, Practical Guidance No. 12, February 13, 2004) starting with the interim period under review.

As a result of these changes, other operating expenses increased ¥419 million, while operating profit, recurring profit and income before income taxes decreased ¥419 million.

(6) Explanatory Notes
(Footnotes to Consolidated Balance Sheets)

FY 2004 interim period (Sept. 30, 2003)

1. A breakdown of notes and accounts receivable is as follows:

(Millions of yen)

Details	Amount
(Installment Sales)	
Installment notes receivable	6,654
Installment accounts receivable	1,922
Subtotal	8,577
(Sales)	
Accounts receivable	215
Total	8,792

2. Unsecured consumer loans to individual customers, which were included in Consumer loans receivable, were ¥1,553,489 million.

3. Assets pledged and corresponding liabilities

a) Assets pledged (Millions of yen)

Type	Interim book value
Deposits	456
Notes and accounts receivable	2,737
Consumer loans receivable	214,194
Buildings and land	8,077
Other	49
Total	225,514

b) Corresponding liabilities

(Millions of yen)

Item	Balance at end of interim period
Short-term borrowings	1,141
Current portion of long-term debt	67,541
Current liabilities, other	121
Long-term debt	138,602
Total	207,406

In addition to the above, Promise entered into forward contracts of assigning for consumer loans receivable of ¥339,440 million. Corresponding liabilities were current portion of long-term debt of ¥87,899 million and long-term debt of ¥240,416 million.

FY 2005 interim period (Sept. 30, 2004)

1. A breakdown of notes and accounts receivable is as follows:

(Millions of yen)

Details	Amount
(Installment Sales)	
Installment notes receivable	518
Installment accounts receivable	250
Subtotal	768
(Sales)	
Accounts receivable	495
Total	1,264

2. Unsecured consumer loans to individual customers, which were included in Consumer loans receivable, were ¥1,517,675 million.

3. Assets pledged and corresponding liabilities

a) Assets pledged (Millions of yen)

Type	Interim book value
Deposits	4
Notes and accounts receivable	—
Consumer loans receivable	161,170
Buildings and land	7,931
Other	43
Total	169,149

b) Corresponding liabilities

(Millions of yen)

Item	Balance at end of interim period
Short-term borrowings	—
Current portion of long-term debt	57,892
Current liabilities, other	—
Long-term debt	100,545
Total	158,437

In addition to the above, Promise entered into forward contracts of assigning for consumer loans receivable of ¥275,185 million. Corresponding liabilities were current portion of long-term debt of ¥85,094 million and long-term debt of ¥183,057 million.

FY 2004 (Mar. 31, 2004)

1. A breakdown of notes and accounts receivable is as follows:

(Millions of yen)

Details	Amount
(Installment Sales)	
Installment notes receivable	4,914
Installment accounts receivable	1,873
Subtotal	6,787
(Sales)	
Accounts receivable	651
Total	7,439

2. Unsecured consumer loans to individual customers, which were included in Consumer loans receivable, were ¥1,523,667 million.

3. Assets pledged and corresponding liabilities

a) Assets pledged (Millions of yen)

Type	Book value at end of fiscal year
Deposits	6
Notes and accounts receivable	1,913
Consumer loans receivable	186,019
Buildings and land	8,016
Other	43
Total	196,000

b) Corresponding liabilities

(Millions of yen)

Item	Balance at end of fiscal year
Short-term borrowings	315
Current portion of long-term debt	50,549
Current liabilities, other	535
Long-term debt	132,560
Total	183,959

In addition to the above, Promise entered into forward contracts of assigning for consumer loans receivable of ¥314,500 million. Corresponding liabilities were current portion of long-term debt of ¥87,960 million and long-term debt of ¥216,026 million.

<table>
<tr><th>FY 2004 interim period
(Sept. 30, 2003)</th><th>FY 2005 interim period
(Sept. 30, 2004)</th><th>FY 2004
(Mar. 31, 2004)</th></tr>
<tr>
<td>4. Status of non-performing loans
(Millions of yen)
<table><tr><th>Classification</th><th>Amount</th></tr><tr><td>Credits of bankrupt borrowers</td><td>4,411</td></tr><tr><td>Delinquent loans</td><td>820</td></tr><tr><td>Delinquent loans three months or more past the due date</td><td>19,509</td></tr><tr><td>Restructured loans</td><td>50,196</td></tr><tr><td>Total</td><td>74,937</td></tr></table></td>
<td>4. Status of non-performing loans
(Millions of yen)
<table><tr><th>Classification</th><th>Amount</th></tr><tr><td>Credits of bankrupt borrowers</td><td>1,657</td></tr><tr><td>Delinquent loans</td><td>527</td></tr><tr><td>Delinquent loans three months or more past the due date</td><td>16,068</td></tr><tr><td>Restructured loans</td><td>64,479</td></tr><tr><td>Total</td><td>82,733</td></tr></table></td>
<td>4. Status of non-performing loans
(Millions of yen)
<table><tr><th>Classification</th><th>Amount</th></tr><tr><td>Credits of bankrupt borrowers</td><td>1,693</td></tr><tr><td>Delinquent loans</td><td>601</td></tr><tr><td>Delinquent loans three months or more past the due date</td><td>13,857</td></tr><tr><td>Restructured loans</td><td>57,853</td></tr><tr><td>Total</td><td>74,007</td></tr></table></td>
</tr>
<tr>
<td>(1) Credits of bankrupt borrowers are loans under declaration of bankruptcy, reconstruction and similar proceedings, 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.</td>
<td>(1) (No change)</td>
<td>(1) (No change)</td>
</tr>
<tr>
<td>(2) 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.</td>
<td>(2) (No change)</td>
<td>(2) (No change)</td>
</tr>
<tr>
<td>(3) Delinquent loans three months or more past the due date 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.</td>
<td>(3) (No change)</td>
<td>(3) (No change)</td>
</tr>
<tr>
<td>(4) 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 three months or more past the due date, as described above.
Of ¥50,196 million in restructured loans, restructured loans which are 30 days or less past due were ¥45,171 million.</td>
<td>(4) 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 three months or more past the due date, as described above.
Of ¥64,479 million in restructured loans, restructured loans which are 30 days or less past due were ¥58,527 million.</td>
<td>(4) 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 three months or more past the due date, as described above.
Of ¥57,853 million in restructured loans, restructured loans which are 30 days or less past due were ¥51,703 million.</td>
</tr>
</table>

FY 2004 interim period (Sept. 30, 2003)	FY 2005 interim period (Sept. 30, 2004)	FY 2004 (Mar. 31, 2004)
5. Allowance for credit losses included in Other in Investments and advances was ¥406 million.	**5.** Allowance for credit losses included in Other in Investments and advances was ¥487 million.	**5.** Allowance for credit losses included in Other in Investments and advances was ¥484 million.
6. Commercial paper included in Other in Current liabilities was ¥2,394 million.	**6.** ————	**6.** Commercial paper included in Other in Current liabilities was ¥1,968 million.
7. **Contingent liabilities** (1) Guarantee obligations in the credit guarantee business ¥1,438 million (2) Contingent liabilities related to business in Taiwan for purchasing loans with conditions precedent ¥243 million (3) ———— (4) Warranty obligations ¥37,652 million This obligation was entailed in the transfer of the entire amount of stock held by Promise in the subsidiary GC Co., Ltd. to General Electric Capital Consumer Finance Co., Ltd. (currently GE Consumer Finance Co., Ltd.), and represents the remaining balance of obligations that fall under the category of warranty obligations, which are only one portion of Company debt obligations.	7. **Contingent liabilities** (1) Guarantee obligations in the credit guarantee business ¥3,826 million (2) Contingent liabilities related to business in Taiwan for purchasing loans with conditions precedent ¥148 million (3) Contingent liabilities related to business in Taiwan for credit appraisal and analysis for loans to a bank and purchase of claimable assets from a bank ¥32,259 million (4) Warranty obligations ¥22,138 million (No change)	7. **Contingent liabilities** (1) Guarantee obligations in the credit guarantee business ¥2,778 million (2) Contingent liabilities related to business in Taiwan for purchasing loans with conditions precedent ¥224 million (3) ———— (4) Warranty obligations ¥29,858 million (No change)
8. Revolving credit facility Within lending commitment line contracts for consumer loans, ¥1,558,619 million was in revolving credit facility agreements (automatic renewal through basic revolving loan contract). These are agreements whereby companies can 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 was ¥383,865 million (including ¥275 million in secured revolving credit facilities). This balance includes credit facilities of customers without any loan balance, except for those making no payments or receipt for two years or more.	**8. Revolving credit facility** Within lending commitment line contracts for consumer loans, ¥1,521,731 million was in revolving credit facility agreements (automatic renewal through basic revolving loan contract). These are agreements whereby companies can 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 was ¥377,929 million (including ¥227 million in secured revolving credit facilities). This balance includes credit facilities of customers without any loan balance, except for those making no payments or receipt for two years or more.	**8. Revolving credit facility** Within lending commitment line contracts for consumer loans, ¥1,528,307 million was in revolving credit facility agreements (automatic renewal through basic revolving loan contract). These are agreements whereby companies can 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 was ¥378,477 million (including ¥252 million in secured revolving credit facilities). This balance includes credit facilities of customers without any loan balance, except for those making no payments or receipt for two years or more.

FY 2004 interim period (Sept. 30, 2003)

There are also contracts whose term ends without the lending option being executed, and thus do not necessarily have an impact on future cash flows of the Company.

For changes in the credit status of customers or other credible reasons, each contract contains a provision in which the Company can deny financing for loan applications and upwardly or downwardly revise the maximum credit line.

Even after the completion of contracts, the Company periodically revises contract details and adopts measures to ensure credit safely.

9. Loan collateral

A repurchase agreement of ¥87,261 million is included in Short-term loans.

Consequently, marketable securities are accepted as collateral from the seller of repurchased marketable securities.

The interim market value for marketable securities received is as follows: (Millions of yen)

Type	Market value
Commercial paper	57,293
Securities	25,970
Beneficial interest in trust	3,969
Total	87,233

10. The unutilized balance from overdraft contracts on current accounts (including contracts based on overdraft contracts on current accounts) and contracts for the commitment line of loans are as follows:

(Overdraft contracts on current accounts) (Millions of yen)

Total contracts	28,901
Contracts exercised	24,853
Difference	4,047

(Contracts for the commitment line of loans) (Millions of yen)

Total contracts	238,110
Contracts exercised	11,136
Difference	226,974

FY 2005 interim period (Sept. 30, 2004)

There are also contracts whose term ends without the lending option being executed, and thus do not necessarily have an impact on future cash flows of the Company.

For changes in the credit status of customers or other credible reasons, each contract contains a provision in which the Company can deny financing for loan applications and upwardly or downwardly revise the maximum credit line.

Even after the completion of contracts, the Company periodically revises contract details and adopts measures to ensure credit safely.

9. Loan collateral

A repurchase agreement of ¥37,998 million is included in Short-term loans.

Consequently, marketable securities are accepted as collateral from the seller of repurchased marketable securities.

The interim market value for marketable securities received is as follows: (Millions of yen)

Type	Market value
Commercial paper	24,998
Securities	12,999
Total	37,998

10. The unutilized balance from overdraft contracts on current accounts (including contracts based on overdraft contracts on current accounts) and contracts for the commitment line of loans are as follows:

(Overdraft contracts on current accounts) (Millions of yen)

Total contracts	12,405
Contracts exercised	10,013
Difference	2,391

(Contracts for the commitment line of loans) (Millions of yen)

Total contracts	259,042
Contracts exercised	9,639
Difference	249,403

FY 2004 (Mar. 31, 2004)

There are also contracts whose term ends without the lending option being executed, and thus do not necessarily have an impact on future cash flows of the Company.

For changes in the credit status of customers or other credible reasons, each contract contains a provision in which the Company can deny financing for loan applications and upwardly or downwardly revise the maximum credit line.

Even after the completion of contracts, the Company periodically revises contract details and adopts measures to ensure credit safely.

9. Loan collateral

A repurchase agreement of ¥ 48,964 million is included in Short-term loans.

Consequently, marketable securities are accepted as collateral from the seller of repurchased marketable securities.

The market value for marketable securities received is as follows: (Millions of yen)

Type	Market value
Commercial paper	32,994
Securities	12,996
Beneficial interest in trust	2,970
Total	48,961

10. The unutilized balance from overdraft contracts on current accounts (including contracts based on overdraft contracts on current accounts) and contracts for the commitment line of loans are as follows:

(Overdraft contracts on current accounts) (Millions of yen)

Total contracts	18,293
Contracts exercised	12,416
Difference	5,876

(Contracts for the commitment line of loans) (Millions of yen)

Total contracts	253,250
Contracts exercised	9,798
Difference	243,452

(Footnotes to Consolidated Statements of Income)

<table>
<tr><th>FY 2004 interim period
(Apr. 1, 2003—Sept. 30, 2003)</th><th>FY 2005 interim period
(Apr. 1, 2004—Sept. 30, 2004)</th><th>FY 2004
(Apr. 1, 2003—Mar. 31, 2004)</th></tr>
<tr>
<td>1. Other financial revenues
(Millions of yen)
(1) Interest on deposits 1
(2) Interest on securities 0
(3) Interest on loans 19
(4) Other 9
Total 31</td>
<td>1. Other financial revenues
(Millions of yen)
(1) Interest on deposits 4
(2) Interest on securities —
(3) Interest on loans 5
(4) Other 0
Total 10</td>
<td>1. Other financial revenues
(Millions of yen)
(1) Interest on deposits 3
(2) Interest on securities 0
(3) Interest on loans 27
(4) Other 9
Total 40</td>
</tr>
<tr>
<td>2. Financial expenses
(Millions of yen)
(1) Interest expense 7,456
(2) Bond interest 2,924
(3) Other 631
Total 11,012</td>
<td>2. Financial expenses
(Millions of yen)
(1) Interest expense 6,229
(2) Bond interest 2,620
(3) Other 697
Total 9,546</td>
<td>2. Financial expenses
(Millions of yen)
(1) Interest expense 14,438
(2) Bond interest 5,657
(3) Other 1,302
Total 21,398</td>
</tr>
<tr>
<td>3. Interest and dividend income on investments included ¥1,348 million in dividends on preference shares.</td>
<td>3. Interest and dividend income on investments included ¥1,177 million in dividends on preference shares.</td>
<td>3. Interest and dividend income on investments included ¥1,348 million in dividends on preference shares.</td>
</tr>
<tr>
<td>4. Net loss on sales or disposal of property and equipment comprised a ¥178 million disposal loss related to buildings, fixtures and equipment.</td>
<td>4. Net loss on sales or disposal of property and equipment comprised a ¥120 million disposal loss related to buildings, fixtures and equipment and a ¥25 million loss on sales related to buildings and land.</td>
<td>4. Net loss on sales or disposal of property and equipment comprised a ¥1,847 million disposal loss related to buildings, fixtures and equipment and a ¥14 million loss on sales related to fixtures and equipment.</td>
</tr>
<tr>
<td>5. ————</td>
<td>5. During the interim period under review, the following groups of assets of the Group have been charged with impairment losses.
<table><tr><th>Prefecture</th><th>Use</th><th>Category</th></tr><tr><td>Ishikawa</td><td>Rental real estate</td><td>Land</td></tr><tr><td>Hyogo</td><td>Rental apts.</td><td>Buildings, land</td></tr><tr><td>Ishikawa</td><td>Idle asset</td><td>Land</td></tr><tr><td>Tokyo</td><td>Idle asset</td><td>Land</td></tr><tr><td>Osaka</td><td>Idle asset</td><td>Land</td></tr><tr><td>Hiroshima</td><td>Idle asset</td><td>Land</td></tr><tr><td>Kagawa</td><td>Idle asset</td><td>Land</td></tr></table>The Promise Group divides its asset groups into the categories of finance, rental, telemarketing, computer system design, idle assets, etc.
Rental real estate and apartments are recorded at reduced amounts approaching their potential recovery value. Of the reduction amount, an impairment loss of ¥177 million was booked as an extraordinary loss. Of that amount, ¥150 million was for land and ¥26 million for buildings.
Idle assets for which market value has fallen markedly below book value have been adjusted to amounts approaching their potential recovery value. Of that amount, an impairment loss of ¥263 million was booked as an extraordinary loss.</td>
<td>5. ————</td>
</tr>
</table>

FY 2004 interim period (Apr. 1, 2003–Sept. 30, 2003)	FY 2005 interim period (Apr. 1, 2004–Sept. 30, 2004)	FY 2004 (Apr. 1, 2003–Mar. 31, 2004)
	The potential recovery values of rental real estate and idle assets have been calculated based on net sales value. Buildings and land values are calculated based on an appraisal done by a real estate appraiser. Rental apartment values are calculated based on utility value and future cash flows are discounted at 4.1% to obtain present value.	
6. ————	**6.** Loss on sale of receivables comprises losses recorded on the sale of the installment credit assets of Liang Jing Co., Ltd. to the International Bank of Taipei.	**6.** ————
7. Impairment loss on deposits for golf club memberships comprised impairment losses on golf club memberships.	**7.** Impairment loss on deposits for golf club memberships comprised impairment losses on golf club memberships.	**7.** Impairment loss on deposits for golf club memberships comprised impairment losses on golf club memberships.
8. ————	**8.** ————	**8.** Special retirement payments is a special added portion resulting from the implementation of a voluntary retirement program.
9. The basis for classification of financial revenues and financial expenses in the financing business on the consolidated statement of income are as follows: (1) Financial revenues are expressed as operating income. Financial revenues exclude all loan interest and dividends at affiliated companies classified under other operations as well as interest and dividends on investment securities. (2) Financial expenses are expressed as operating expenses. Financial expenses exclude all interest paid that cannot be clearly matched to operating income.	**9.** The basis for classification of financial revenues and financial expenses in the financing business on the consolidated statement of income are as follows: (1) Financial revenues are expressed as operating income. (No change) (2) Financial expenses are expressed as operating expenses. (No change)	**9.** The basis for classification of financial revenues and financial expenses in the financing business on the consolidated statement of income are as follows: (1) Financial revenues are expressed as operating income. (No change) (2) Financial expenses are expressed as operating expenses. (No change)

(Footnotes to Consolidated Statements of Cash Flows)

<table>
<tr><th>FY 2004 interim period
(Apr. 1, 2003–Sept. 30, 2003)</th><th>FY 2005 interim period
(Apr. 1, 2004–Sept. 30, 2004)</th><th>FY 2004
(Apr. 1, 2003–Mar. 31, 2004)</th></tr>
<tr>
<td>Relationship between cash and cash equivalents and the amounts in the line items of the balance sheet as of the end of the interim period is as follows.
(Millions of yen)
Cash and deposits 74,169
Short-term loans 87,261
Total 161,430
Time deposits with maturity exceeding three months (3,152)
Short-term loans excluding repurchase agreements —
Cash and cash equivalents 158,278</td>
<td>Relationship between cash and cash equivalents and the amounts in the line items of the balance sheet as of the end of the interim period is as follows.
(Millions of yen)
Cash and deposits 89,867
Short-term loans 38,028
Total 127,896
Time deposits with maturity exceeding three months (77)
Short-term loans excluding repurchase agreements (30)
Cash and cash equivalents 127,789</td>
<td>Relationship between cash and cash equivalents and the amounts in the line items of the balance sheet as of the end of the fiscal year is as follows.
(Millions of yen)
Cash and deposits 52,233
Short-term loans 48,994
Total 101,228
Time deposits with maturity exceeding three months (87)
Short-term loans excluding repurchase agreements (30)
Cash and cash equivalents 101,110</td>
</tr>
</table>

(Footnotes to Lease Transactions)

FY 2004 interim period (Apr. 1, 2003–Sept. 30, 2003)

1. Finance lease transactions other than those where ownership of the leased asset is transferred to the lessee.

(1) Equivalent of acquisition cost, accumulated depreciation and net book value of the leased assets at the end of the period

(Millions of yen)

	Equivalent of acquisition cost	Equivalent of accumulated depreciation	Equivalent of net book value
Equipment and fixtures	4,896	2,369	2,527
Intangible fixed assets and other	112	67	44
Total	5,008	2,436	2,571

(2) Equivalent of aggregate future lease payments

(Millions of yen)

Due within one year	1,171
Due after one year	1,485
Total	2,656

(3) Lease fees, equivalent of depreciation and equivalent of interest expense

(Millions of yen)

Lease fees	680
Equivalent of depreciation	619
Equivalent of interest expense	63

(4) Method of calculation of equivalent of depreciation

Calculated by using the straight-line method, assuming that the lease period corresponds to the useful life of the asset and has a residual value of zero.

(5) Method of calculation of equivalent of interest expense

The equivalent of interest expense is regarded as the difference between the total lease payments and the amount equivalent to acquisition cost of the asset. The interest method is used to calculate the portion applicable to each accounting period.

2. Operating leases

Unexpired leases

(Millions of yen)

Due within one year	104
Due after one year	162
Total	267

FY 2005 interim period (Apr. 1, 2004–Sept. 30, 2004)

1. Finance lease transactions other than those where ownership of the leased asset is transferred to the lessee.

(1) Equivalent of acquisition cost, accumulated depreciation and net book value of the leased assets at the end of the period

(Millions of yen)

	Equivalent of acquisition cost	Equivalent of accumulated depreciation	Equivalent of net book value
Equipment and fixtures	4,117	2,715	1,402
Intangible fixed assets and other	106	79	26
Total	4,223	2,795	1,428

(2) Equivalent of aggregate future lease payments

(Millions of yen)

Due within one year	1,039
Due after one year	472
Total	1,512

(3) Lease fees, equivalent of depreciation and equivalent of interest expense

(Millions of yen)

Lease fees	568
Equivalent of depreciation	522
Equivalent of interest expense	38

(4) Method of calculation of equivalent of depreciation

(No change)

(5) Method of calculation of equivalent of interest expense

(No change)

2. Operating leases

Unexpired leases

(Millions of yen)

Due within one year	104
Due after one year	65
Total	170

FY 2004 (Apr. 1, 2003–Mar. 31, 2004)

1. Finance lease transactions other than those where ownership of the leased asset is transferred to the lessee.

(1) Equivalent of acquisition cost, accumulated depreciation and net book value of the leased assets at the end of the fiscal year

(Millions of yen)

	Equivalent of acquisition cost	Equivalent of accumulated depreciation	Equivalent of net book value
Equipment and fixtures	4,310	2,426	1,884
Intangible fixed assets and other	118	80	38
Total	4,429	2,506	1,922

(2) Equivalent of aggregate future lease payments

(Millions of yen)

Due within one year	1,050
Due after one year	937
Total	1,988

(3) Lease fees, equivalent of depreciation and equivalent of interest expense

(Millions of yen)

Lease fees	1,199
Equivalent of depreciation	1,118
Equivalent of interest expense	77

(4) Method of calculation of equivalent of depreciation

(No change)

(5) Method of calculation of equivalent of interest expense

(No change)

2. Operating leases

Unexpired leases

(Millions of yen)

Due within one year	106
Due after one year	113
Total	219

(Footnotes to Securities)

Securities

I. End of previous interim period (Sept. 30, 2003)

1. Other securities stated at market value

(Millions of yen)

	Acquisition cost	Book value per consolidated balance sheet at end of interim period	Difference
(1) Equity securities	6,157	8,455	2,298
(2) Others	115	146	31
Total	6,272	8,602	2,329

Note: An impairment of ¥0 million was recorded for equity securities within Other securities stated at market value during the interim period. Regarding impairment accounting for Other securities, if the market value of such securities has declined more than 50% below book value at the end of the interim period, any decreases in the carrying amount are charged to income as a loss on valuation of investments in securities. In the case their fair market value has declined more than 30% but less than 50% of their book value, impairment accounting is applied to the necessary amount upon considering such factors as the possibility of a recovery in value.

2. Other securities with no market value and book value per consolidated balance sheet

(Other securities) (Millions of yen)

Non-listed equity securities (excluding OTC-traded equity securities)	1,353
Preference shares	13,300

II. End of interim period under review (Sept. 30, 2004)

1. Other securities stated at market value

(Millions of yen)

	Acquisition cost	Book value per consolidated balance sheet at end of interim period	Difference
(1) Equity securities	5,572	11,280	5,707
(2) Others	115	162	47
Total	5,688	11,443	5,755

2. Other securities with no market value and book value per consolidated balance sheet

(Other securities) (Millions of yen)

Non-listed equity securities (excluding OTC-traded equity securities)	441

Note: An impairment of ¥15 million was recorded for equity securities within Other securities with no market value during the interim period. Regarding impairment accounting for Other securities, if the market value of such securities has declined more than 50% below book value at the end of the interim period, any decreases in the carrying amount are charged to income as a loss on valuation of investments in securities. In the case their fair market value has declined more than 30% but less than 50% of their book value, impairment accounting is applied to the necessary amount upon considering such factors as the possibility of a recovery in value.

Equity securities in Other securities that do not have a market value and for which actual value has notably declined due to deterioration in the financial condition of the issuing company have been adjusted by an impairment charge.

III. End of previous fiscal year (Mar. 31, 2004)

1. Other securities stated at market value

(Millions of yen)

	Acquisition cost	Book value per consolidated balance sheet at end of fiscal year	Difference
(1) Equity securities	6,208	13,037	6,828
(2) Others	115	172	57
Total	6,324	13,210	6,886

Note: Regarding impairment accounting for Other securities, if the market value of such securities has declined more than 50% below book value at the end of fiscal year, any decreases in the carrying amount are charged to income as a loss on valuation of investments in securities. In the case their fair market value has declined more than 30% but less than 50% of their book value, impairment accounting is applied to the necessary amount upon considering such factors as the possibility of a recovery in value.

2. Other securities with no market value and book value per consolidated balance sheet

(Other securities) (Millions of yen)

Non-listed equity securities (excluding OTC-traded equity securities)	451
Preference shares	13,300

(Footnotes to Derivatives Transactions)

Contract Amounts, Fair Value, and Valuation Losses on Derivatives Transactions (Millions of yen)

Object	Transaction	FY2004 interim period (Sept. 30, 2003)			FY2005 interim period (Sept. 30, 2004)			FY2004 fiscal year (Mar. 31, 2004)		
		Contract amount	Fair value	Valuation loss	Contract amount	Fair value	Valuation loss	Contract amount	Fair value	Valuation loss
Interest	Interest rate cap [purchased]	2,000 [3]	0	(3)	—	—	—	—	—	—
	Interest rate swap (Fixed payment /variable received)	32,607	(477)	(477)	54,713	(875)	(875)	41,562	(667)	(667)
Total		34,607	(477)	(481)	54,713	(875)	(875)	41,562	(667)	(667)

(1) Details of Transactions

Promise engages in interest rate cap and interest rate swap transactions.

(2) Policy regarding Transactions

The Company does not independently engage in derivative transactions for trading to achieve short-term buying and selling gains or in transactions for speculative purposes.

(3) Purpose of Transactions

Regarding variable-rate interest payments on procured funds, to avoid the impact of a rise in future market interest rates on fund procurement costs (interest expenses), the Company establishes fixed ceilings using interest rate caps to hedge rises in interest expenses. In addition, the Company uses interest rate swaps to fix its cost of funds procured at variable interest rates.

(4) Transaction Risks

Derivative transactions involve market risk and credit risk. However, market risk resulting from fluctuations in market interest rates is offset by risk resulting from fluctuations in market interest rates on funds procured (liabilities) at variable interest rates. Moreover, the Company believes there is no significant credit risk since it engages in transactions only with large financial institutions.

(5) Risk Management regarding Transactions

Criteria for determining the need for risk hedging as well as specific hedging methods for each type of risk accompanying the execution of finance activities are stipulated by the Company's Finance Regulations. The Treasury Department executes derivatives transactions in accordance with these regulations.

Each derivatives contract is entered into only after obtaining a decision as stipulated by the Work Assignment Regulations. The details of the contract and the aforementioned decision are checked and confirmed by the General Affairs Department, and after a seal is affixed the contract can be executed.

Prior approval from Promise is required for consolidated subsidiaries to execute derivatives transactions. Promise will base its decision on whether to approve or disapprove the derivatives transactions in accordance with standards determined by the Company.

A director in charge will report periodically to the Board of Directors about the management of derivatives transactions, including those of consolidated subsidiaries. The Inspection Department will check the details of the derivatives contracts that have been inspected by the Treasury Department.

(6) Supplementary Explanation on Contract Amounts, Fair Value, and Valuation Losses on Derivatives Transactions

Notional amounts for derivatives transactions listed in Contract amounts, fair value and valuation losses on derivatives transactions are the notional amounts at the end of the respective interim periods (and fiscal year-end). The figures only represent calculations of notional amounts for nominal contract values of interest rate cap and interest rate swap transactions or for transaction settlements. There is no transfer of monetary assets in accordance with the stated amounts, and these amounts do not indicate market risk or credit risk related to derivatives transactions.

Notes: 1. Fair value is calculated based on prices presented by financial institutions.
In calculating fair value, the Company forms a contract for calculating fair value with a third-party institution not involved in the derivatives transaction. The price presented by the financial institution with which the derivatives contract has been formed is then checked to verify fairness, after which fair value can be used.
2. The amount shown in brackets for the contract amount of interest rate caps is the prepaid cap fees on the consolidated balance sheet (interim period), and the corresponding fair value and valuation loss are shown.
3. Derivatives transactions using deferral hedge accounting are excluded.

(Segment Information)

FY 2004 interim period (Apr. 1, 2003–Sept. 30, 2003)	FY 2005 interim period (Apr. 1, 2004–Sept. 30, 2004)	FY 2004 (Apr. 1, 2003–Mar. 31, 2004)
1. Operations by business segment Because the Company's consumer finance business accounts for more than 90% of total operating income and operating profit for all segments, business segment information is omitted.	**1. Operations by business segment** (No change)	**1. Operations by business segment** Because the Company's consumer finance business accounts for more than 90% of total operating income, operating profit and asset value for all segments, business segment information is omitted.
2. Operations by geographic segment Because Japan accounts for more than 90% of the Company's total operating income for all segments, geographic segment information is omitted.	**2. Operations by geographic segment** (No change)	**2. Operations by geographic segment** Because Japan accounts for more than 90% of the Company's total operating income and asset value for all segments, geographic segment information is omitted.
3. Overseas operating income Because overseas operating income accounts for less than 10% of total operating income, overseas operating income information is omitted.	**3. Overseas operating income** (No change)	**3. Overseas operating income** (No change)

(Per Share Data)

FY 2004 interim period (Apr. 1, 2003–Sept. 30, 2003)	FY 2005 interim period (Apr. 1, 2004–Sept. 30, 2004)	FY 2004 (Apr. 1, 2003–Mar. 31, 2004)
Net assets per share ¥5,169.91	Net assets per share ¥5,692.08	Net assets per share ¥5,260.21
Net income per share ¥219.94	Net income per share ¥315.99	Net income per share ¥342.18
The figure of diluted net income per share is not disclosed because there was no potential share of common stock that had a dilutive effect.	Diluted net income per share ¥315.89	The figure of diluted net income per share is not disclosed because there was no potential share of common stock that had a dilutive effect.

Note: Calculations of net income per share are based on the following data

FY 2004 interim period (Apr. 1, 2003–Sept. 30, 2003)	FY 2005 interim period (Apr. 1, 2004–Sept. 30, 2004)	FY 2004 (Apr. 1, 2003–Mar. 31, 2004)
Interim net income on consolidated statements of income ¥26,743 million	Interim net income on consolidated statements of income ¥40,080 million	Net income on consolidated statements of income ¥41,576 million
Interim net income for common stock ¥26,743 million	Interim net income for common stock ¥40,080 million	Net income for common stock ¥41,492 million
Principal category of funds not available to shareholders of common stock Bonuses to directors and corporate auditors from the disposition of profits ¥— million	Principal category of funds not available to shareholders of common stock Bonuses to directors and corporate auditors from the disposition of profits ¥— million	Principal category of funds not available to shareholders of common stock Bonuses to directors and corporate auditors from the disposition of profits ¥84 million
Principal category of funds not available to shareholders ¥— million	Principal category of funds not available to shareholders ¥— million	Principal category of funds not available to shareholders ¥84 million
Average number of shares outstanding in interim period 121,593 thousand	Average number of shares outstanding in interim period 126,838 thousand	Average number of shares outstanding in fiscal year 121,256 thousand
Major adjustments to interim net income included in the calculation of interim fully diluted net income per share ¥— million	Major adjustments to interim net income included in the calculation of interim fully diluted net income per share ¥— million	Major adjustments to net income included in the calculation of fully diluted net income per share ¥— million
Adjustment to interim net income ¥— million	Adjustment to interim net income ¥— million	Adjustment to net income ¥— million
Major categories of the additional number of shares included in the calculation of interim fully diluted net income per share New share subscription rights — thousand	Major categories of the additional number of shares included in the calculation of interim fully diluted net income per share New share subscription rights 42 thousand	Major categories of the additional number of shares included in the calculation of fully diluted net income per share New share subscription rights — thousand
Additional number of shares — thousand	Additional number of shares 42 thousand	Additional number of shares — thousand
A summary of latent shares is not included in calculations of interim diluted net income per share because there were no shares with a dilutive effect during the period. (1) Treasury stock held for stock option: 351,000 shares (2) Warrant for stock option: 718,500 shares There were 707,950 shares with new share acquisition rights as of Sept. 30, 2003, reflecting a 10,550 decrease in the number of shares with acquisition rights owing to the loss of rights.	A summary of latent shares is not included in calculations of interim diluted net income per share because there were no shares with a dilutive effect during the period. (1) (No change) (2) —————	A summary of latent shares is not included in calculations of diluted net income per share because there were no shares with a dilutive effect during the fiscal year. (1) (No change) (2) Warrant for stock option: 611,750 shares There were 470,000 shares with new share acquisition rights as of Mar. 31, 2004, reflecting a 141,750 decrease in the number of shares with acquisition rights owing to the loss of rights.

4. Business Results

(1) Operating Income

(Millions of yen)

Classification		FY 2004 interim period (Apr. 1, 2003—Sept. 30, 2003)		FY 2005 interim period (Apr. 1, 2004—Sept. 30, 2004)		FY 2004 (Apr. 1, 2003—Mar. 31, 2004)	
		Amount	%	Amount	%	Amount	%
Operating income from financing business	Interest on consumer loans	188,720	93.4	177,757	95.3	368,662	94.3
	Collection of written-off loans	2,959	1.5	2,503	1.3	5,384	1.4
	Fees and commissions	2,603	1.3	—	—	2,603	0.7
	Collection of purchased receivables	622	0.3	682	0.4	1,271	0.3
	Other financial revenues	31	0.0	10	0.0	40	0.0
	Subtotal	194,937	96.5	180,954	97.0	377,962	96.7
Operating income from other businesses	Sales	4,817	2.4	1,885	1.0	8,199	2.1
	Other	2,269	1.1	3,765	2.0	4,819	1.2
	Subtotal	7,087	3.5	5,651	3.0	13,018	3.3
Total		202,024	100.0	186,605	100.0	390,980	100.0

Notes: 1. Within Operating income from financing business, Other financial revenues include interest on deposits and loans.
2. Within Operating income from other businesses, Other includes income from the leasing of real estate and commission income.
3. Collection of written-off loans, Fees and commissions, and collection of purchased receivables, as well as Other in Operating income from other businesses, are listed within the consolidated statements of income under Other operating income.

(2) Other Indicators

Classification		FY 2004 interim period (Sept. 30, 2003)		FY 2005 interim period (Sept. 30, 2004)		FY 2004 (Mar. 31, 2004)	
		Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Consumer loans outstanding		1,559,517	1,375,578	1,522,537	1,347,628	1,529,054	1,352,847
(Millions of yen)	Unsecured loans	1,553,489	1,369,779	1,517,675	1,342,940	1,523,667	1,347,657
	Secured loans	6,028	5,799	4,862	4,687	5,387	5,189
Number of customers		3,009,013	2,488,390	2,909,055	2,422,156	2,940,142	2,441,488
	Unsecured loans	3,006,780	2,486,287	2,907,192	2,420,397	2,938,126	2,439,585
	Secured loans	2,233	2,103	1,863	1,759	2,016	1,903
Number of branches		1,699	1,533	1,644	1,479	1,644	1,478
	Staffed branches	535	423	528	418	544	430
	Unstaffed branches	1,164	1,110	1,116	1,061	1,100	1,048
Number of automated contract machines		1,556	1,493	1,509	1,446	1,503	1,440
Number of ATMs		2,018	1,814	1,789	1,733	1,782	1,725
Number of loan processing machines		38	38	339	339	123	123
Number of employees		5,518	4,131	4,579	3,309	4,599	3,323
Loan losses (Millions of yen)		58,352	44,599	53,829	43,495	119,571	93,955
Allowance for credit losses (Millions of yen)		125,046	100,300	130,356	102,400	133,876	108,300
Net income per share (Yen)		219.94	297.66	315.99	291.99	342.18	406.05
Shareholders' equity per share (Yen)		5,169.91	5,074.55	5,692.08	5,576.09	5,260.21	5,155.72

Notes: 1. Number of customers is the total number of customers of Promise and each of its consolidated subsidiaries and is derived from the number of debtors listed in the breakdown of customers compiled through computer-aided name identification.
2. Number of automated contract machines is the total number of automated contract machines installed.
3. Number of employees is the number of workers. Seconded employees are included in the number of employees of the companies to which they have been seconded.
4. Reserve for loan losses includes Allowance for credit losses listed under Other in Investments and advances.