



Annual Report 2000



Profile

Established in 1982 as a credit-card company within the MYCAL Group, MYCAL CARD INC. has since developed as a comprehensive provider of consumer credit offering a diverse range of services finely tailored to modern needs, which, in the words of its corporate motto, help its customers lead fuller lives. As a result, MYCAL CARD INC. is now Japan's fourth largest retailer-affiliated credit provider.

In August 1999, MYCAL CARD INC. became Japan's first credit-card company to begin general issue of a card fitted with integrated circuit technology. Known as MULTOS, the technology involved combines high-level security with high memory capacity and has received the top-ranking evaluation of E6 under the ITSEC system*. As of February 2000, the number of such cards issued has already passed the 900,000 mark.

With the issue of the MYCAL IC MasterCard, MYCAL CARD INC. has expanded beyond the bounds of the credit industry into the realm of information technology. In the coming years, MYCAL CARD INC. intends to fully exploit the potential of the IC card, with its high level of security and memory capacity, to lead the way into the cashless society of the 21st century.

*ITSEC (Information Technology Security Evaluation Criteria): unitary system for evaluation of information technology security standards, introduced in 1990 and currently in use in many European countries and in Australia.

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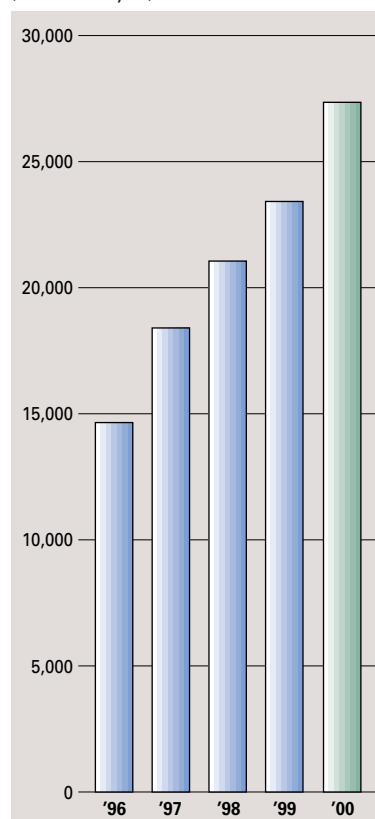
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Financial Highlights

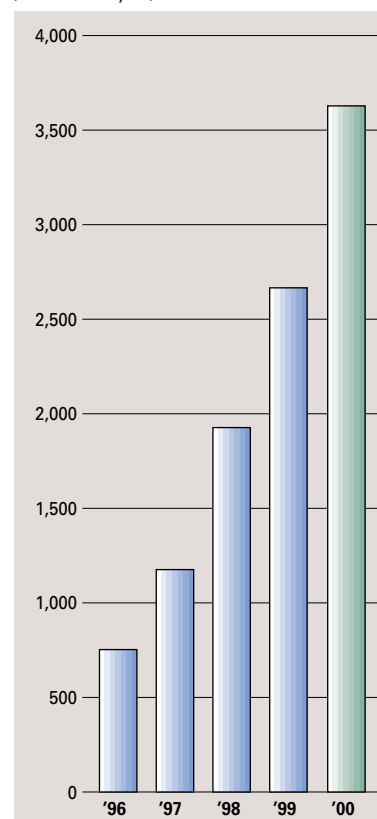
	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
For the Year:			
Operating revenues	¥ 27,331	¥ 23,400	\$ 248,463
Net income	3,647	2,666	33,154
At Year-end:			
Shareholders' equity	32,768	19,978	297,890
Total assets.....	127,398	116,575	1,158,163
Per Share:			
	Yen		U.S. dollars
Net income	¥ 138.84	¥ 124.56	\$ 1.26
Cash dividends.....	30.00	32.50	0.27

- Notes
1. The United States dollar amounts in this annual report are given for convenience only and represent translations of Japanese yen at the rate of ¥110 to US\$1.00.
 2. Net income per share is calculated based on the weighted average number of shares outstanding during each term.
 3. As of February 1, 2000, shares of MYCAL CARD INC. were listed on the First Section of the Tokyo and Osaka Stock Exchanges.

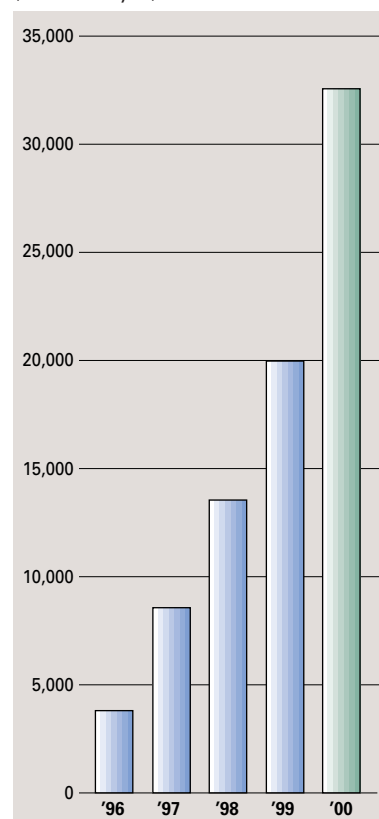
Operating Revenues
(Millions of yen)



Net Income
(Millions of yen)



Shareholders' Equity
(Millions of yen)



To Our Shareholders



Shigeki Obata, Chairman

In the fiscal year ended February 29, 2000, the Japanese economy benefited from a package of stimulatory government measures and growing demand in the information and communications sector to begin emerging, albeit gradually, from a period of negative growth that had lasted two years. But despite the incipient recovery, consumer spending and private-sector capital investment remained at depressed levels, so that, overall, the economy continued to present a challenging picture.

Focusing now on the retailer-affiliated credit services industry, the stagnant level of consumer spending did not prevent the sector from posting positive trends in annual volume of contracts, which reflected the launch of a variety of partnership-based card schemes, expansion of the range of card use, and an increased selection of add-on services. At the same time, increases in personal bankruptcy due to multiple debt and the growth of card-related crime highlighted negative trends in the current business climate.

Anticipating the advent of a cashless society, there was a diversification in payment methods exemplified by the introduction of the debit card system, whereby the customer's deposit account is automatically and immediately debited when the correct identification number is quoted; and the advent of so-called electronic money, a system whereby cards are imprinted with a certain replenishable monetary value and can then be used rather like a universally accepted prepaid card.

These conditions offered opportunities for business expansion and increased efficiency, which we at MYCAL CARD INC. exploited vigorously; six new outlets were established during the year, which contributed to membership expansion. Meanwhile, in August 1999, we became the first Japanese retailer-affiliated credit provider to offer a general-purpose credit card with a built-in integrated circuit (IC). The MYCAL IC MasterCard is a multifunctional card which offers great potential for improved security and utilization of information technology. IC technology had in fact already been used on a smaller scale in the F1 Jordan Grand Prix Design Card,

a limited-purpose card which, like the Hilton Club Japan Card issued jointly with the Otaru Hilton Hotel, was one example of our strategy of launching card schemes jointly with corporate partners. The success of these business moves was reflected in the number of MYCAL-issued cards in use at the end of the fiscal year, which showed an increase of 690,000 over the previous year-end to reach 6.53 million.

Our customers enjoyed significant improvements in service convenience: coupled with the expansion of our own cash-dispenser network, tie-ups with other financial institutions allowed us to increase the number of cash dispensers and automated teller machines accepting MYCAL-issued cards by 5.4% to a total of 78,000. At the same time the number of participating retailers, including those of MYCAL Group member companies, rose by 50.7% to 214,000.

Towards increased efficiency, four staffed outlets were closed down during the year while a further five were converted to unstaffed operation. Other measures taken to optimize distribution of operational resources included relocation of existing unstaffed service terminals to more effective sites.

Our business strategy over the year was rewarded with a 16.7% increase in operating revenues to ¥27.33 billion, a 24.5% increase in operating income to ¥7.42 billion, and a 36.8% increase in net income to ¥3.64 billion.

Previously, our shares were listed on the second section of both the Tokyo and the Osaka stock exchanges; since February 1, 2000, however, following approval by the relevant government authorities and the stock exchanges, our shares have been listed on the first section of both exchanges.

Regarding future development, we are now prioritizing the following three core strategies for business-base expansion centered around the MYCAL IC MasterCard: development of new IC applications and promotion of corporate tie-ups; achievement of an operational scale capable of handling one million new card issues a year; and expansion into the Internet business sector.



Takashi Takahashi, President

In response to the problems of payment arrears and card-related crime, we are taking steps toward the establishment of a complete risk-management system. Accordingly, we plan to introduce a new credit-management system and review our credit-analysis criteria.

In anticipation of the cashless society of the future, we aim to take full advantage of our independently developed information and database-management technology in order to evolve the MYCAL IC MasterCard further. In the process, we will transcend the bounds of the credit business to firmly establish MYCAL CARD INC. as an information-based undertaking catering comprehensively to our customer's financial needs. We invite our shareholders to join us in looking forward to the further growth of our company as an indispensable partner in 21st century lifestyles.

May 25, 2000

A handwritten signature in black ink, appearing to read "Shigeki Obata".

Shigeki Obata, Chairman

A handwritten signature in black ink, appearing to read "Takashi Takahashi".

Takashi Takahashi, President

MYCAL CARD INC. – Progressing to Higher Levels

From Credit Company to Information-Technology Enterprise

MYCAL CARD INC. is a member of the 260-strong MYCAL Group of companies, a leading designer and provider of lifestyle services which includes nationwide fashion and grocery chainstores such as SATY and VIVRE as well as the membership-based fitness club XAX and the multiplex cinema chain WARNER MYCAL. Taking advantage of the opportunity which this position offers to attract members from multiple consumer groups, MYCAL CARD INC. has gone from strength to strength.

The added advantage of global reach secured by our 1993 agreement with MasterCard has seen us progress from being a provider of single-store account cards to managing the issue of international cards with universal validity for equal convenience in Japan or overseas. In August 1999, we began issue of the MYCAL IC MasterCard, which has a built-in integrated circuit. As well as effecting a dramatic improvement in quality of service, the new card encourages customer loyalty to participating establishments and will also open the way for penetration of new customer target groups.

Compared to the conventional magnetic card, the IC card has one hundred times the memory capacity, allowing it to function not only as a credit card but also as a debit card, electronic money or other form of cash substitute. This sophisticated card has attracted widespread interest in our increasingly cashless society, where the ability to offer a range of payment method options is an important competitive advantage. Such cards could for instance serve as admission passes to cinemas and other places of entertainment, and could even be used as a means of recording patient history and medication.

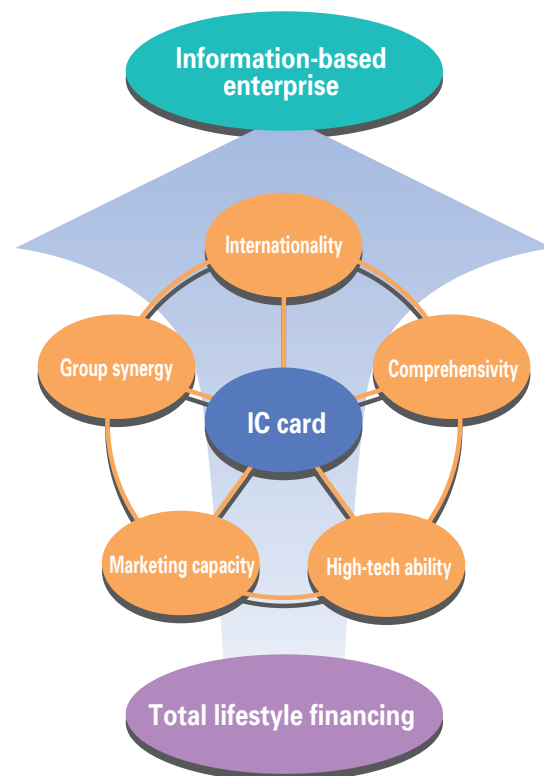
The IC card also makes it possible to analyze data at individual level, opening the way to individually tailored marketing approaches or compilation of cardholder marketing-databases, which will be an invaluable tool in increasing membership among both individual consumers and participating commercial establishments.

As MYCAL CARD INC. continues to grow in terms of internationality, comprehensivity, group synergy, marketing capacity and high-tech ability, it is transforming itself from a credit-card company into an information-technology enterprise. Constantly seeking fresh business opportunities, MYCAL CARD INC. will continue through its efforts to progress to ever higher levels.

Expansion of Marketing Capacity with Giant Database

MYCAL CARD INC. has consistently devoted resources to elaborating information systems capable of organizing and analyzing customer data obtained from sales channels, for instance through its integrated management of all procedures from initial credit clearance and intermediate credit checks to debt recovery. The expertise thus gained is now being used in the management of the enormous volumes of data channeled through the MYCAL IC MasterCard system and is being applied in the conduct of promotional campaigns which target customers precisely according to profile and preferences. In this way, marketing capacity has been enhanced.

An important task if we are to grow as an information-based enterprise will be to identify latent customer demand not just in the area of retail consumption but also in travel, insurance and other areas of consumer activity, and to use this data to increase the effectiveness of our coordination with participating commercial establishments.



Expansion of Services

Our services can roughly be divided into three categories: credit-card services, loan services and agency services. The latter category has traditionally covered a broad range of activities including sale of life insurance policies, agency handling of general insurance, and travel-related business. In addition to continued expansion in discount telephone charge services and retail partner recruitment, our future activities will be marked by growth in the Internet business. Here, as well as increasing the number of agreements with Internet service providers, we plan to develop areas such as online payment methods.

Volume of New Contracts

Unit: millions of yen (% of total)

	Year to Feb. 29, 2000	Year to Feb. 28, 1999
Credit-card services	127,663 (40.4)	105,745 (38.2)
Loan services	101,011 (32.0)	87,413 (31.6)
Agency services	84,188 (26.6)	81,047 (29.2)
Other	3,244 (1.0)	2,669 (1.0)
Total	316,109 (100)	276,874 (100)



Travel services



Insurance services



Other services

Expansion to 78,000 Available Cash Machines

From Hokkaido in the north to Kyushu in the south, to offer our customers a highly convenient cash withdrawal service, we have built up a network of 78,000 cash machines consisting of our own cash dispensers as well as automated teller machines and cash dispensers operated by partner institutions. Expansion of the number of cash dispenser locations has played an important part in the improvement of corporate performance. In the future, agreements with banks and loan companies on mutual access to cash dispensers and automated teller machines will be promoted to further expand the range of availability of cash services. At the same time, unstaffed automated service terminals offering instant card issue, and progressive introduction of specialist devices capable of 'reading and writing' sophisticated data sequences on IC cards will contribute to providing a state-of-the-art service.



Cash dispensers

MYCAL IC MasterCard – *More than Just a Credit Card*



On Its Way to the Million Mark

In August 1999, in preparation for the impending advent of the cashless society, MYCAL CARD INC. issued the MYCAL IC MasterCard, a credit card equipped with integrated-circuit technology. This technology has attracted great interest within the industry as it allows a single card to combine a variety of roles: for instance it can function as a debit card to authorize automatic debiting of the customer's bank account when the correct identification number is quoted, or as electronic money, rather like a universally accepted prepaid card.

The MYCAL IC MasterCard is basically a credit card with two functions added: an electronic-money function, which allows it to be used to make small purchases without the need for a signature; and a point-recording function which means it can be used in schemes where points are awarded whenever purchases are made.

In recognition of its convenience and high degree of security, the number of MYCAL IC MasterCards in issue has already, as of February 2000, reached the 900,000 mark. It is planned to eventually convert all MYCAL-issued cards to the MYCAL IC MasterCard format. In the meantime, further applications will be developed and offered and infrastructural adjustments promoted.

High Capacity and High Security

By equipping a conventional credit card with integrated circuit technology, we have created a card with the high memory capacity and high security level required of the credit card of the future. In the credit-card business, use of counterfeit cards remains a major problem which causes worry for customers and inflicts heavy losses on card companies. The MYCAL IC MasterCard is expected to contribute significantly to the prevention of counterfeiting thanks to its adoption of the technology known as MULTOS, which has been awarded the top security score of E6 under the ITSEC international system for security evaluation of information technology.

An additional advantage is its memory capacity of eight kilobytes, more than one hundred times that of a conventional magnetic card. This makes it possible, in theory, for a single card to combine various identification functions, for instance as a national identity card, student identity card, or national insurance identity card, and eventually to record all kinds of personal data such as medical records and driving license data.

At the same time, since the information stored in the card will be available as the basis for finely tailored marketing approaches, retailers and other participating establishments will no longer need to compile a separate customer database.



MYCAL IC MasterCard: 3 Major Functions

Electronic-money function

This is one of the great advantages of the card. First, the IC is used to record a certain monetary value (at present 30,000 yen, or around 285 US dollars). Using a personal identification number, the customer can then make speedy and convenient cashless transactions whose value can be as little as ¥1 – ideal for groceries and other small purchases.

Credit-card function

The use of a specialist terminal device known as a reader-writer in conjunction with the IC's data-processing function gives the MYCAL IC MasterCard a highly secure credit-card function. The terminal is equipped with a counterfeit-card detection function which ensures that the card can only be used when recognized through transmission of an encoded data signal. This system gives increased resistance to unauthorized use.

Point function

The MYCAL IC MasterCard can be used to record points awarded under the promotional scheme of a participating enterprise, so that a single card can be used for both payment and point recording.

The Expanding World of the MYCAL IC MasterCard

Partnership Agreement with Suruga Bank

Under an agreement between MYCAL CARD INC. and the Suruga Bank, a joint card known as the Suruga-MYCALCARD has been developed which combines the functions of a bank cashcard and a credit card. The card has the three major functions of the MYCAL IC MasterCard, plus is valid for transactions through the full range of Suruga Bank accounts, offering a high level of convenience while maintaining a high degree of security.

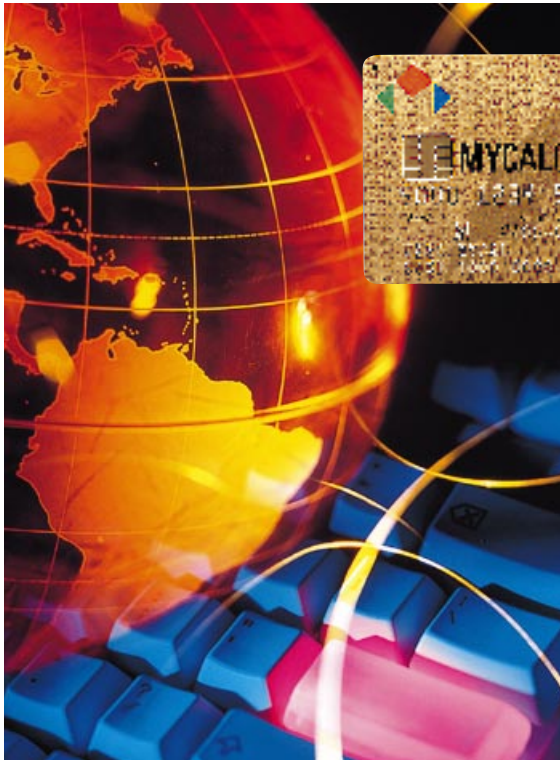


This venture with the Suruga Bank represents our first issue of a joint card using the MULTOS technology. Agreements of this kind with financial institutions are designed to increase volume of contracts and to promote the development of new uses for the IC technology. In particular, we aim to increase the pace of agreements with financial institutions and enterprises in other sectors by offering independently developed technological applications which will allow electronic transactions, payment of small amounts and storing of personal data to be effected more speedily.

Participation in Japanese Government IC Card Project

MYCAL CARD INC. has been involved since March 1997 in an IC project commissioned by the Japanese Ministry of Posts and Telecommunications, working on the development of an IC card combining the functions of a post office savings account cashcard with the electronic-money and credit-card functions offered by MYCAL-issued cards. Trial use of the resulting card begins this year in the Omiya district of Saitama Prefecture.

Outlook for the 21st Century



Adapting to the Internet

Now that the infrastructure for low-cost information transmission is in place and an open information network for all forms of business transaction is taking shape, there is a need for a system which will enable users, no matter who or where they are, to settle accounts electronically without worrying about security. A particularly important issue is the development of methods of payment for online shopping.

Working partly in partnership with information-related companies and software developers, we are currently engaged in research and development operations with the aim of developing an electronic payment system protected by a sophisticated security setup. To increase customer convenience, we have also joined a variety of other development projects aimed at making safe electronic commerce a reality.

Security in a Cashless Society

With the growing sophistication of today's information society, crime involving credit-card fraud and unauthorized access to computer systems is on the increase. Broadly speaking, credit-card security involves the following three elements: the card itself; the computer system; and the computer network. Regarding the first of these, we intend to reinforce card security by converting all cards to IC card format; at the same time we will pursue further improvements to the integrated circuit itself, taking the realistic view that the security issue is open-ended and will require constant technology upgrades. As for the second, we restrict to the minimum the number of staff authorized to access our computer system and constantly review code numbers and other elements of security management so as to maintain a system rigorously enforced on a daily basis. Lastly, to fulfill our corporate responsibility to prevent hacking and other forms of unauthorized access to our network, we have developed a unique computer system; additionally, technology to prevent tampering with data and infiltration of computer viruses is in a state of ongoing upgrade.

Detailed Strategies for Debt Recovery

When a credit account falls into arrears, there are certain procedures which must be followed in order to reclaim the debt. These constitute an important area of our work known as debt management. Debt management, however, covers not only debt recovery but also monitoring of repayment dates – the most basic aspect of a credit operation – and monitoring of changes in customer creditworthiness, also known as intermediate credit clearance.

This field of operations is not limited to routine computer-based work: it also involves analyzing the causes of default and discovering how to avoid it to achieve a sound credit cycle, and constantly designing new methods of operation in response. We see our future role as being to maximize profit by reinforcing debt recovery operations and expanding the volume of performing assets (i.e. default-free credit) so as to be able, in turn, to increase dividends to investors.

Financial Section

Five-year Summary

	Millions of yen					Thousands of U.S. dollars
	2000	1999	1998	1997	1996	2000
For the Year:						
Volume of new contracts	¥ 315,541	¥ 278,396	¥ 259,928	¥ 228,472	¥ 188,831	\$ 2,868,555
Operating revenues	27,331	23,400	21,043	18,398	14,638	248,463
Financial cost, net	1,357	1,461	1,314	1,213	1,403	12,336
Other operating expenses.....	18,547	15,975	15,212	14,108	11,613	168,609
Operating income	7,427	5,964	4,517	3,077	1,623	67,518
Income before income taxes.....	7,079	5,790	4,351	2,930	1,493	64,354
Net income	3,647	2,666	1,927	1,176	753	33,154
Return on equity (%).....	13.8	16.1	17.9	18.9	20.9	—
At Year-end:						
Working capital	¥ 62,344	¥ 56,674	¥ 46,053	¥ 44,780	¥ 18,441	\$ 566,764
Installment accounts receivable	116,604	101,068	91,941	82,797	67,235	1,060,036
Allowance for doubtful receivables.....	(2,980)	(2,560)	(1,980)	(1,390)	(810)	(27,091)
Short-term borrowings and long-term debt.....	68,912	71,218	69,575	63,299	53,390	626,473
Shareholders' equity	32,768	19,978	13,051	8,493	3,916	297,890
Total assets.....	127,398	116,575	105,539	92,792	75,600	1,158,163
Shareholders' equity ratio (%).....	25.7	17.1	12.4	9.2	5.2	—
Per Share:						
	Yen					U.S. dollars
Net income	¥ 138.84	¥ 113.24	¥ 93.79	¥ 66.22	¥ 36.69	\$ 1.26
Shareholders' equity	1,186.46	779.83	557.30	384.31	190.88	10.79
Cash dividends.....	30.00	32.50	22.50	15.00	10.00	0.27

Notes 1. Net income per share is calculated based on the weighted average number of shares outstanding during each term, retroactively adjusted for stock splits. Net income per share and shareholders' equity per share adjusted for the stock split of April 20, 2000, described in Note 11 in the accompanying Notes to Non-consolidated Financial Statements, are as follows:

	Yen					U.S. dollars
	2000	1999	1998	1997	1996	2000
Net income.....	¥ 126.22	¥ 102.94	¥ 85.26	¥ 60.20	¥ 33.35	\$ 1.15
Shareholders' equity.....	1,078.60	708.93	506.64	349.37	173.53	9.81

2. Return on equity ratio is calculated based on the average of shareholders' equity of the current and previous fiscal year-ends.

Financial Review

Business Environment and Analysis of Operating Results

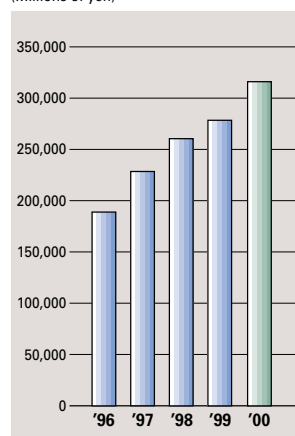
In the fiscal year ended February 29, 2000, the Japanese economy benefited from the effects of stimulatory government measures and growing demand in the information and communications sector to begin a gradual recovery from a period of negative growth that had lasted two years. With consumer spending and private-sector capital investment still lagging behind, however, it was against an overall background of continuing economic difficulties that the Company pursued its efforts to attract new cardholders. Successes here meant that the number of cards in use at the end of the fiscal year showed an increase of 690,000 over the previous year-end to stand at 6.53 million.

In line with the continuing expansion and rationalization of its outlet network, the Company closed four staffed service counters, while the goals of increased operational efficiency and reduced costs were served by replacing a further five staffed outlets with unstaffed automated service terminals. This brought the total number of outlets — staffed and unstaffed — to 162 at the end of the period.

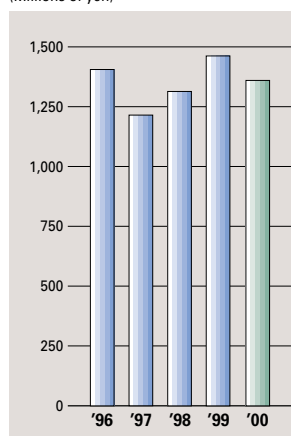
With a view to business expansion beyond the reach of the MYCAL Group, the number of cash dispenser outlets was increased and tie-ups with other credit card companies were pursued. As a result, the number of cash dispensers and automated teller machines accepting the MYCALCARD increased 5.4% over the previous year to around 78,000 nationwide. Meanwhile, a drive to increase the number of participating retail outlets was rewarded with an expansion of 50.7% to 214,000.

Reflecting the success of the Company's business strategy, the total value of new contracts for the fiscal year climbed 14.2% over the previous period to reach ¥316,109 million. This broke down as follows: in the area of credit card services, the value of installment accounts expanded 20.7% to ¥127,663 million, representing 40.4% of the total; the corresponding figure for loan services grew 15.7% to ¥101,011 million, or 32.0% of the total; and the figure for agency services increased 3.9% to ¥84,188 million or 26.6% of the total. New contracts in other areas accounted for 1.0% of total value.

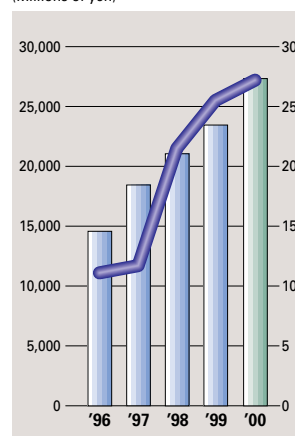
Volume of New Contracts
(Millions of yen)



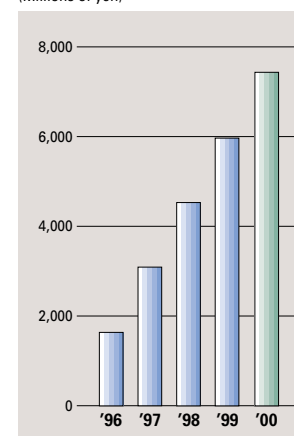
Financial Cost, Net
(Millions of yen)



Operating Revenues
(Millions of yen)



Operating Income
(Millions of yen)



Operating Income to Revenues Ratio (%)

Income Analysis

Total operating revenues increased 16.8% over the previous period to ¥27,331 million. Despite a 17.3% increase in general and administrative expenses to ¥15,554 million, this figure showed an increase of only 0.2 percentage points, to 56.9%, when expressed as a percentage of total operating revenues. This reflects the benefits of the Company's rationalization strategy as represented by the progressive conversion to unstaffed automated service terminals, which allowed a reduction in staff costs. While operating expenses increased 14.2% to ¥19,904 million, operating income also rose, by 24.5% to ¥7,427 million, representing 27.2% of operating revenues, an improvement of 1.7 percentage points over the previous year. Net income grew 36.8% over the previous period to ¥3,647 million.

Assets

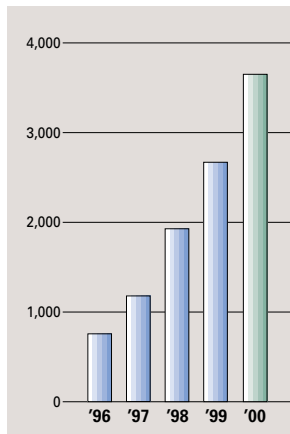
Total assets at the end of the fiscal year amounted to ¥127,398 million, an increase of 9.3% over the previous period. The total represents ¥120,495 million in current assets and ¥6,903 million in fixed assets. These figures brought the fixed assets ratio down 12.9 percentage points from the previous period to stand at 21.1%.

Cash Flow Analysis and Financial Position

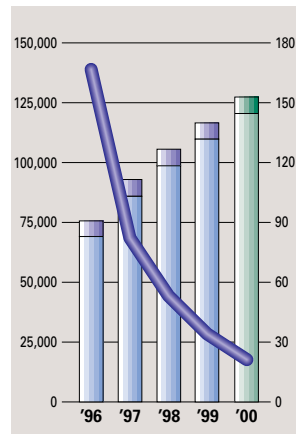
In addition to increases in net income and depreciation and amortization, the Company raised its capital base with a common stock issue worth ¥9,626 million in September 1999. As a result, cash and cash equivalents as of February 29, 2000, stood at ¥5,366 million. Installment accounts receivable totaled ¥116,604 million, an increase of 15.4% over the previous year. Meanwhile, current liabilities registered a 9.5% rise to ¥58,151 million.

The number of shares outstanding at the end of the period was 27,618,384, boosting capital to ¥11,020 million, an increase of ¥4,814 million from the figure recorded one year earlier. Shareholders' equity, meanwhile, climbed 64% to ¥32,768 million. As a result, the shareholders' equity ratio rose 8.6% percentage points to 25.7% while return on equity moved down 2.3 percentage points to 13.8%.

Net Income
(Millions of yen)

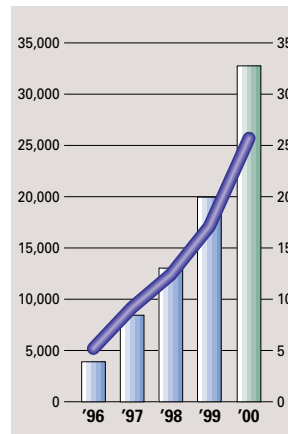


Total Assets
(Millions of yen)



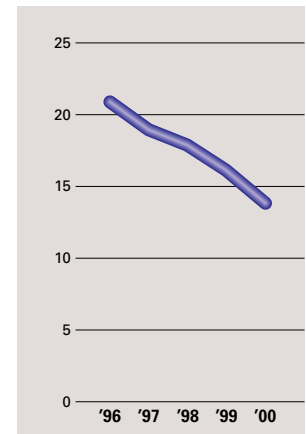
■ Fixed Assets (Millions of yen)
■ Current Assets (Millions of yen)
— Fixed Assets Ratio (%)

Shareholders' Equity
(Millions of yen)



— Equity Ratio (%)

Return on Equity
(%)



Non-consolidated Balance Sheets

As of February 29, 2000, and February 28, 1999

ASSETS	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Current Assets:			
Cash and cash equivalents.....	¥ 5,366	¥ 10,041	\$ 48,782
Installment accounts receivable	116,604	101,068	1,060,036
Allowance for doubtful receivables.....	(2,980)	(2,560)	(27,091)
Deferred income taxes	293	—	2,664
Prepaid expenses and other current assets.....	1,212	1,224	11,018
Total Current Assets.....	<u>120,495</u>	<u>109,773</u>	<u>1,095,409</u>
Property and Equipment:			
Land	2,702	3,027	24,564
Buildings and structures	1,788	1,847	16,255
Equipment and fixtures.....	1,037	989	9,427
Equipment for lease.....	498	805	4,527
Accumulated depreciation	(1,948)	(2,046)	(17,709)
Total Property and Equipment, net.....	<u>4,077</u>	<u>4,622</u>	<u>37,064</u>
Investments and Other Assets:			
Investments in securities.....	227	127	2,064
Long-term prepaid expenses.....	1,790	1,269	16,272
Deferred income taxes	80	—	727
Other	729	784	6,627
Total Investments and Other Assets.....	<u>2,826</u>	<u>2,180</u>	<u>25,690</u>
	<u>¥ 127,398</u>	<u>¥ 116,575</u>	<u>\$ 1,158,163</u>

The accompanying Notes to Non-consolidated Financial Statements are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen		Thousands of U.S. dollars
	<u>2000</u>	1999	<u>2000</u>
Current Liabilities:			
Short-term borrowings.....	¥ 15,500	¥ 10,000	\$ 140,909
Current portion of long-term debt.....	17,190	17,956	156,273
Notes and accounts payable –			
Trade	22,106	21,957	200,964
Other.....	631	444	5,736
Accrued income taxes	1,973	2,001	17,936
Accrued expenses and other current liabilities.....	751	741	6,828
Total Current Liabilities.....	<u>58,151</u>	<u>53,099</u>	<u>528,646</u>
Long-term Liabilities:			
Long-term debt	36,222	43,262	329,291
Estimated termination and retirement allowances.....	242	208	2,200
Other	15	28	136
Total Long-term Liabilities.....	<u>36,479</u>	<u>43,498</u>	<u>331,627</u>
Commitments			
Shareholders' Equity:			
Common stock, par value ¥50 per share:			
Authorized – 40,000,000 shares			
Outstanding – 27,618,384 shares in 2000 and 23,289,440 shares in 1999	11,020	6,206	100,182
Additional paid-in capital	12,330	7,518	112,090
Legal reserve.....	293	212	2,663
Retained earnings.....	9,125	6,042	82,955
Total Shareholders' Equity	<u>32,768</u>	<u>19,978</u>	<u>297,890</u>
	¥ 127,398	¥ 116,575	\$ 1,158,163

Non-consolidated Statements of Income

For the years ended February 29, 2000, and February 28, 1999

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Operating Revenues:			
Financing and administration fees	¥ 26,333	¥ 22,642	\$ 239,391
Other revenue	998	758	9,072
	<u>27,331</u>	<u>23,400</u>	<u>248,463</u>
Operating Expenses:			
Financial cost, net	1,357	1,461	12,336
General and administrative expenses.....	15,554	13,257	141,400
Provision for doubtful receivables and loan losses	2,993	2,718	27,209
	<u>19,904</u>	<u>17,436</u>	<u>180,945</u>
Operating income	7,427	5,964	67,518
Non-operating expenses, net	348	174	3,164
Income before income taxes	7,079	5,790	64,354
Provision for income taxes			
Current	3,477	3,124	31,609
Deferred	(45)	—	(409)
Net income	¥ 3,647	¥ 2,666	\$ 33,154
	Yen		U.S. dollars
Per Share of Common Stock:			
Net income.....	¥ 138.84	¥ 113.24	\$ 1.26
Cash dividends	30.00	32.50	0.27

The accompanying Notes to Non-consolidated Financial Statements are an integral part of these statements.

Non-consolidated Statements of Shareholders' Equity

For the years ended February 29, 2000, and February 28, 1999

	Millions of yen				
	Number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance at February 28, 1998	<u>21,289,440</u>	<u>¥ 3,718</u>	<u>¥ 5,030</u>	<u>¥ 140</u>	<u>¥ 4,163</u>
Common stock issued	2,000,000	2,488	2,488	-	-
Net income	-	-	-	-	2,666
Appropriations:					
Cash dividends paid	-	-	-	-	(639)
Directors' and corporate auditors' bonuses	-	-	-	-	(76)
Transfer to legal reserve	-	-	-	72	(72)
Balance at February 28, 1999	<u>23,289,440</u>	<u>6,206</u>	<u>7,518</u>	<u>212</u>	<u>6,042</u>
Effect of change in accounting for income taxes... 1.1 for 1 stock split, April 20, 1999	-	-	-	-	329
Common stock issued	2,328,944	-	-	-	-
Common stock issued	2,000,000	4,814	4,812	-	-
Net income	-	-	-	-	3,647
Appropriations:					
Cash dividends paid	-	-	-	-	(734)
Directors' and corporate auditors' bonuses	-	-	-	-	(78)
Transfer to legal reserve	-	-	-	81	(81)
Balance at February 29, 2000	<u>27,618,384</u>	<u>¥ 11,020</u>	<u>¥ 12,330</u>	<u>¥ 293</u>	<u>¥ 9,125</u>

	Thousands of U.S. dollars				
	Number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance at February 28, 1999	<u>23,289,440</u>	<u>\$ 56,418</u>	<u>\$ 68,345</u>	<u>\$ 1,927</u>	<u>\$ 54,927</u>
Effect of change in accounting for income taxes... 1.1 for 1 stock split, April 20, 1999	-	-	-	-	2,991
Common stock issued	2,328,944	-	-	-	-
Common stock issued	2,000,000	43,764	43,745	-	-
Net income	-	-	-	-	33,154
Appropriations:					
Cash dividends paid	-	-	-	-	(6,673)
Directors' and corporate auditors' bonuses	-	-	-	-	(708)
Transfer to legal reserve	-	-	-	736	(736)
Balance at February 29, 2000	<u>27,618,384</u>	<u>\$ 100,182</u>	<u>\$ 112,090</u>	<u>\$ 2,663</u>	<u>\$ 82,955</u>

The accompanying Notes to Non-consolidated Financial Statements are an integral part of these statements.

Non-consolidated Statements of Cash Flows

For the years ended February 29, 2000, and February 28, 1999

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Cash Flows from Operating Activities:			
Net income	¥ 3,647	¥ 2,666	\$ 33,154
Adjustments to reconcile net income to net cash used in operating activities –			
Depreciation and amortization	905	848	8,227
Provision for deferred income taxes	(45)	—	(409)
Provision for doubtful receivables and loan losses	2,993	2,718	27,209
Loss on disposal of property and equipment	247	—	2,245
Increase in installment accounts receivable	(18,110)	(11,264)	(164,636)
Increase in notes and accounts payable	336	1,840	3,054
Increase (decrease) in accrued income taxes	(28)	425	(255)
Other, net	(410)	(520)	(3,726)
Net cash used in operating activities	<u>(10,465)</u>	<u>(3,287)</u>	<u>(95,137)</u>
Cash Flows from Investing Activities:			
Proceeds from sales of equipment for lease	94	—	855
Proceeds from sales of property and equipment	150	—	1,364
Purchases of equipment for lease	(35)	(80)	(318)
Purchases of property and equipment	(266)	(181)	(2,419)
Purchases of software	(639)	—	(5,809)
Investments in securities acquired	(100)	(416)	(909)
Proceeds from sales of investments in securities	—	411	—
Other, net	0	12	0
Net cash used in investing activities	<u>(796)</u>	<u>(254)</u>	<u>(7,236)</u>
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings	5,500	(1,500)	50,000
Proceeds from long-term debt	10,500	21,535	95,455
Repayments of long-term debt	(18,306)	(18,392)	(166,418)
Proceeds from issuance of common stock	9,626	4,976	87,509
Dividends paid	(734)	(639)	(6,673)
Net cash provided by financing activities	<u>6,586</u>	<u>5,980</u>	<u>59,873</u>
Net increase (decrease) in cash and cash equivalents	(4,675)	2,439	(42,500)
Cash and cash equivalents at beginning of year	10,041	7,602	91,282
Cash and cash equivalents at end of year	¥ 5,366	¥ 10,041	\$ 48,782
Additional Cash Flow Information:			
Interest paid	¥ 1,375	¥ 1,427	\$ 12,500
Income tax paid	3,498	2,699	31,800

The accompanying Notes to Non-consolidated Financial Statements are an integral part of these statements.

Notes to Non-consolidated Financial Statements

1. Basis of Presenting Non-consolidated Financial Statements

MYCAL CARD INC. (the "Company") maintains its accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards.

The accompanying non-consolidated financial statements are a translation of the audited non-consolidated financial statements of the Company, which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Company and were filed with the Minister of Finance ("MOF") as required by the Securities and Exchange Law.

In preparing the accompanying non-consolidated financial statements, certain reclassifications have been made in the non-consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The non-consolidated statements of cash flows have been prepared for the purpose of inclusion in the non-consolidated financial statements, although such statements are not customarily prepared in Japan and are not required to be filed with MOF.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the prevailing exchange rate at February 29, 2000, which was ¥110 to US\$1.00. The convenience translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting and Reporting Policies

(a) Recognition of Operating Revenues

Credit cards

The Company provides credit card services to credit card holders. Receivables from credit card holders are recorded after the Company has accepted the relevant contracts that are referred to the Company by the member retailers and outlets. Fees from customers, except those who pay the full amount of such contract one time, are generally recognized on the interest method. The Company also receives fees for collection and administrative services from the member retailers and outlets. Such fees are recognized at the time the Company accepts the relevant contracts.

Consumer shopping credit

Contract receivables from general customers are recorded after the Company has accepted the relevant installment contracts that are referred to the Company by the member retailers and outlets.

The member retailers and outlets receive cash payment for their sales from the Company acting on behalf of individual customers after the contracts are accepted. Payment by the Company is generally made at a discount representing the commissions charged to the member retailers and outlets for administration fees of retail contracts.

Also, individual customers who utilize consumer credit facilities offered by the Company, except those who pay the full amount of such retail contracts one time, are charged commissions. The amount of the commission is computed by applying a predetermined fixed rate to the initial retail contract price. Commission rates are determined principally on the basis of the number of monthly installment payments and prevailing market interest rates.

Commissions from the member retailers and outlets are recognized at the time the Company accepts the relevant contracts and commissions from individual customers are generally recognized on the interest method.

Effective March 1, 1998, the Company changed its methods of accounting for recognition of operating revenue for "commissions from member retailers and outlets" from recording income in equal installments over the lives of the related receivables to recording income at the time the Company accepts the relevant contracts, and for "commissions from individual customers" from recording income in equal installments over the lives of the related receivables to the interest method. These changes were made for better matching of expenses with related revenues. The effects of these changes were immaterial.

Loans

The Company provides personal loans and commercial loans, including loans to credit card holders. Contract receivables are recorded when loan contracts become effective. Monthly billings to borrowers include principal and interest, and the amount of each billing generally remains constant for the contract period. Interest income is recognized by the interest method.

The Company also provides loans to the customers of other finance companies and such loans are collected from those other finance companies. The Company recognizes commission income from other finance companies for the services rendered when loans are made.

Lease operations

Lease operations of the Company are accounted for by the operating lease method, and lease fees arising from the lease contracts are recognized as income over the lease terms as they become due.

(b) Translation of Foreign Currencies

Short-term monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing as of the fiscal year-end, and other assets and liabilities denominated in foreign currencies are translated at historical rates.

(c) Investments in Securities

Investments in securities with listed market quotations are valued at the lower of average cost or market, as determined on an individual security basis. Investments in securities without listed market quotations are valued at average cost.

Commencing with the year ended February 29, 2000, the Company records recoveries of write-downs of securities in accordance with a revision in the Corporation Tax Law. There was no effect on net income resulting from adopting this accounting policy.

(d) Allowance for Doubtful Receivables

Pursuant to the change in the Corporation Tax Law effective from the year ended February 29, 2000, the Company adopted the

policy of providing the allowance for doubtful receivables based on management's estimate. The Company previously provided the higher of either management's estimate or the maximum amount which was allowed for tax purposes. There was no effect on net income resulting from adopting this accounting policy.

(e) Depreciation

Depreciation of equipment for lease is computed on the straight-line method over the lease term, taking into account the estimated residual value.

Depreciation of other property and equipment is computed on the declining-balance method at rates based on the estimated useful lives prescribed by Japanese tax regulations. Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Effective March 1, 1999, in accordance with revisions of the Corporation Tax Law, the Company shortened the estimated useful lives of buildings, excluding building fixtures. The effect of this change was to decrease operating income and income before income taxes by ¥4 million (\$36 thousand).

(f) Transfer of Installment Accounts Receivable

The Company finances operating funds by transferring installment accounts receivable to investors without recourse. During the year ended February 29, 2000, the Company transferred installment accounts receivable to investors through a trust and banking company in the amount of ¥5,606 million (\$50,964 thousand), and the difference between the face value of installment accounts receivable and cash proceeds amounting to ¥2 million (\$18 thousand) was charged to income.

(g) Accounting for Leases

The Company generally conducts its consumer finance operations at offices leased under cancelable, long-term lease agreements. In connection with such agreements, lessors in Japan usually require leasehold deposits in addition to the annual rental payments. Such leasehold deposits do not bear interest and are generally refundable only when the lease is terminated. The lease terms are generally two years with an option for renewal for a similar period, subject to renegotiations of rental fees.

Also, the Company has cancelable long-term lease commitments for employee housing and office equipment. Finance leases that do not transfer ownership are accounted for in the same manner as operating leases in accordance with generally accepted accounting principles in Japan.

(h) Income Taxes

The Company provided income taxes at the amounts currently payable through the year ended February 28, 1999. Effective March 1, 1999, the Company adopted the new accounting standard, which recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. Under the new accounting standard, the provision for current income taxes is computed based on the pretax income included in the statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The amount of deferred income taxes attributable to the net tax effects of the temporary differences at March 1, 1999 is reflected as an adjustment to the retained earnings brought forward from the previous year. Prior years' financial statements have not been restated.

The cumulative effect of adopting the new accounting standard was ¥329 million (\$2,991 thousand), which was directly added to the retained earnings brought forward from February 28, 1999. The effect for the year ended February 29, 2000, was to increase net income by ¥45 million (\$409 thousand).

(i) Termination and Retirement Allowance Plans

The Company has an unfunded termination and retirement allowance plan to provide lump-sum benefits for its employees. The amount of the retirement benefit is, in general, based on the length of service, basic salary at the time of retirement and cause of retirement.

The liability for lump-sum payments is stated at 40% of the amount which would be required if all employees voluntarily terminated their employment as of the balance sheet date, reduced by the benefits payable under the pension plan.

In addition, the Company has a funded government-regulated non-contributory pension plan covering retirement allowances for employees whose length of service is three years or more. Annual contributions, which consist of normal cost and amortization of prior service cost over 15 years, are charged to income when paid.

Until February 28, 1998, retirement allowances for directors and corporate auditors were charged to income when paid. Effective March 1, 1998, the Company adopted the accrual basis of accounting for such retirement benefits to provide for a better matching of revenues and expenses. The liability for directors' and corporate auditors' retirement allowances is provided based upon the Company's internally established criteria. The provision for the year ended February 28, 1999 is charged to "General and administrative expenses" in the amount of ¥20 million and the effect on years prior to the change in the amount of ¥85 million is included in "Non-operating expenses, net" in the non-consolidated statements of income. The effect of this change was to decrease income before income taxes for the year ended February 28, 1999, by ¥105 million.

The Company's pension fund assets as of February 29, 2000, and February 28, 1999, amounted to ¥228 million (\$2,073 thousand) and ¥317 million, respectively.

The provision charged to income for retirement allowances and pension costs amounted to ¥112 million (\$1,018 thousand) and ¥154 million including the effect on years prior to the charge of accounting referred to above in the amount of ¥85 million for the years ended February 29, 2000, and February 28, 1999, respectively.

Unamortized prior service costs amounted to ¥202 million (\$1,836 thousand) at February 29, 2000.

(j) Common Stock Issuance Costs

Common stock issuance costs are charged to income as incurred.

(k) Accounting for Stock Splits

In accordance with the provisions of the Japanese Commercial Code, stock splits of common stock made at various times have

been accounted for by transferring an amount equivalent to the par value of such shares from additional paid-in capital to common stock in the case of capitalization by resolution of the Board of Directors.

However, when common stock already includes a portion of the proceeds from shares issued at a price in excess of par value, no accounting recognition is made for stock splits.

(I) Statements of Cash Flows

For purposes of the statements of cash flows, cash and cash equivalents include cash on hand and deposits placed with banks on demand or with a maturity of three months or less.

3. Investments in Securities

Details of investments as of February 29, 2000, and February 28, 1999, are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2000		1999		2000	
	Book value	Market value	Book value	Market value	Book value	Market value
Investments in securities:						
Quoted equity securities	¥ 127	¥ 162	¥ 127	¥ 127	\$ 1,155	\$ 1,473

This information excludes unlisted equity securities.

4. Installment Accounts Receivable

Installment accounts receivable as of February 29, 2000, and February 28, 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2000	1999	2000	
	¥	¥	\$	
Credit cards	26,109	23,494	237,354	
Loans	86,996	73,408	790,873	
Agency services	3,318	3,958	30,164	
Other	181	208	1,645	
	<u>¥ 116,604</u>	<u>¥ 101,068</u>	<u>\$ 1,060,036</u>	

The volume of new contracts and realized operating revenues by type of contract for the years ended February 29, 2000, and February 28, 1999, are summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	2000		1999		2000	
	Volume of new contracts	Realized operating revenues	Volume of new contracts	Realized operating revenues	Volume of new contracts	Realized operating revenues
Credit cards	¥ 127,515	¥ 3,470	¥ 105,512	¥ 2,931	\$ 1,159,227	\$ 31,545
Loans	101,012	20,211	87,413	17,816	918,291	183,736
Agency services	84,189	1,105	81,047	1,072	765,355	10,046
Other	2,825	2,545	4,424	1,581	25,682	23,136
	<u>¥ 315,541</u>	<u>¥ 27,331</u>	<u>¥ 278,396</u>	<u>¥ 23,400</u>	<u>\$ 2,868,555</u>	<u>\$ 248,463</u>

5. Provision for Doubtful Receivables and Loan Losses

Provision for doubtful receivables and loan losses for the years ended February 29, 2000, and February 28, 1999, consists of the following:

	Millions of yen		Thousands of U.S. dollars	
	2000	1999	2000	
	¥	¥	\$	
Provision for doubtful receivables	2,980	2,560	27,091	
Loan losses	13	158	118	
	<u>¥ 2,993</u>	<u>¥ 2,718</u>	<u>\$ 27,209</u>	

Recoveries of doubtful receivables are included in "Non-operating expenses, net" in the amounts of ¥89 million (\$809 thousand) and ¥74 million for the years ended February 29, 2000, and February 28, 1999, respectively.

6. Short-term Borrowings and Long-term Debt

Short-term borrowings are represented generally by one-year notes.

Long-term debt as of February 29, 2000, and February 28, 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
1.31% to 2.98% loans from banks, due in installments through 2004			
– secured	¥ 9,946	¥ 8,526	\$ 90,418
– unsecured.....	33,536	34,742	304,873
1.83% to 2.20% loans from banks, due on various dates through 2003			
– secured	100	1,100	909
– unsecured.....	3,400	8,900	30,909
1.7% to 3.0% loans from insurance companies, due in installments through 2004			
– secured	4,990	4,790	45,364
– unsecured.....	1,405	1,825	12,773
2.7% to 2.8% loans from insurance companies, due on various dates through 2004			
– secured	—	1,000	—
– unsecured.....	—	300	—
2.0% loans from a subsidiary, due on various dates through 2003			
– unsecured.....	35	35	318
Total.....	53,412	61,218	485,564
Less: Current portion.....	(17,190)	(17,956)	(156,273)
	¥ 36,222	¥ 43,262	\$ 329,291

The annual maturities of long-term debt subsequent to February 28, 2001, are as follows:

Fiscal Year	Millions of yen	Thousands of U.S. dollars
2002.....	¥ 17,093	\$ 155,391
2003.....	12,170	110,637
2004.....	5,987	54,427
2005.....	972	8,836
	¥ 36,222	\$ 329,291

As is customary in Japan, additional security may have to be given if requested by a lending bank and such bank has the right to apply any collateral so furnished against any debt or obligation that becomes due and, in the case of default or certain other specified events, against all debts payable to the bank.

The Company's assets pledged as collateral for short-term borrowings and long-term debt from banks and other financial institutions as of February 29, 2000, and February 28, 1999, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Installment accounts receivable.....	¥ 16,890	¥ 17,535	\$ 153,545

7. Derivative Transactions

The Company enters into interest rate swaps and interest rate option trading with large financial institutions in order to hedge the risk of interest rate fluctuations related to receivables and payables and to reduce financial cost. The Company has adopted policies restricting the use of derivatives and requiring the reporting of such transactions to responsible officials of the Company.

Contractual values or notional principal amounts of interest rate swap and option contracts of the Company outstanding as of February 29, 2000, and February 28, 1999, are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2000			1999			2000		
	Notional amount	Over 1 year	Fair value/ Unrealized gain (loss)	Notional amount	Over 1 year	Fair value/ Unrealized gain (loss)	Notional amount	Over 1 year	Fair value/ Unrealized gain (loss)
Interest rate swaps:									
Receive floating/ pay fixed.....	¥ 15,095	¥ 12,288	¥ (345)	¥ 10,723	¥ 5,945	¥ (203)	\$ 137,227	\$ 111,709	\$ (3,136)
Receive floating/ pay floating	3,667	3,334	(48)	4,000	3,667	(70)	33,336	30,309	(436)
	<u>¥ 18,762</u>	<u>¥ 15,622</u>	<u>¥ (393)</u>	<u>¥ 14,723</u>	<u>¥ 9,612</u>	<u>¥ (273)</u>	<u>\$ 170,563</u>	<u>\$ 142,018</u>	<u>\$ (3,572)</u>

Notes 1. Estimated fair values were obtained from banks.

2. Receive floating/pay floating interest swaps also have interest rate caps.

8. Income Taxes

The Company is subject to a number of income taxes, which, in the aggregate, indicate a statutory rate in Japan of approximately 48% and 51% for the years ended February 29, 2000 and February 28, 1999, respectively.

Significant components of the Company's deferred tax assets as of February 29, 2000, are as follows:

	Millions of yen	Thousands of U.S. dollars
Enterprise taxes, etc.	¥ 175	\$ 1,591
Accounts receivable.....	57	518
Retirement benefits for directors.....	56	509
Allowance for doubtful receivables.....	47	427
Other	38	346
Total deferred tax assets	<u>¥ 373</u>	<u>\$ 3,391</u>

9. Lease Transactions

Information relating to finance leases of the Company, as lessor, as of February 29, 2000, and February 28, 1999, for the years then ended are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Acquisition cost	¥ 498	¥ 805	\$ 4,527
Accumulated depreciation.....	(361)	(524)	(3,282)
Book value.....	<u>¥ 137</u>	<u>¥ 281</u>	<u>\$ 1,245</u>
Present value of future minimum lease payments due from customers:			
Due within one year	¥ 60	¥ 104	\$ 542
Due after one year.....	88	176	801
	<u>¥ 148</u>	<u>¥ 280</u>	<u>\$ 1,343</u>
Rental revenues	¥ 183	¥ 239	\$ 1,668
Depreciation expense.....	98	120	890
Rental revenues attributable to financing income.....	<u>23</u>	<u>31</u>	<u>207</u>

Information relating to non-capitalized finance leases of the Company, as lessee, as of February 29, 2000, and February 28, 1999, for the years then ended is as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Acquisition cost	¥ 1,568	¥ 1,452	\$ 14,255
Accumulated depreciation.....	(887)	(587)	(8,064)
Book value.....	¥ 681	¥ 865	\$ 6,191
Present value of future minimum lease payments:			
Due within one year	¥ 303	¥ 289	\$ 2,754
Due after one year.....	393	582	3,573
	¥ 696	¥ 871	\$ 6,327
Lease payments.....	¥ 335	¥ 308	\$ 3,045
Depreciation expense, if capitalized	316	285	2,873
Interest expense, if capitalized	28	33	255

The above as-if-capitalized depreciation is calculated on the straight-line method over the lease terms.

10. Shareholders' Equity and Per Share Data

Under the Japanese Commercial Code, the entire amount of the issue price of shares is required to be accounted for as stated capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

On February 8, 1999, the Company completed the sale of 2,000,000 shares of its common stock in a public offering. Of the proceeds totaling ¥4,976 million net of stock issuance costs, ¥2,488 million was credited to common stock and the remaining ¥2,488 million to additional paid-in capital.

On April 20, 1999, the Company made a stock split to shareholders of record as of February 28, 1999, of 2,328,944 shares in the ratio of 1.1 shares for each one share held. The Company's stated capital was not affected by these stock splits.

On September 6, 1999, the Company completed the sale of 2,000,000 shares of its common stock in a public offering. Of the proceeds totaling ¥9,626 million (\$87,509 thousand) net of stock issuance costs, ¥4,814 million (\$43,764 thousand) was credited to common stock and the remaining ¥4,812 million (\$43,745 thousand) to additional paid-in capital.

Ten percent of cash appropriations of retained earnings (i.e., cash dividends and bonuses to directors and corporate auditors) must be appropriated to the legal reserve until such reserve equals 25% of common stock. The legal reserve is not available for dividends but may be used to reduce a deficit by resolution of shareholders or may be transferred to common stock by resolution of the Board of Directors.

Under the Japanese Commercial Code, the amount available for dividends is based on retained earnings as recorded in the books of a company. Dividends are paid semiannually. Interim and year-end cash dividends are authorized after the close of the period to which they relate and are reflected in the non-consolidated statements of shareholders' equity when paid.

Net income per share shown in the accompanying non-consolidated statements of income is computed using the weighted average number of shares of common stock outstanding, retroactively adjusted for stock splits.

Dividends per share shown in the accompanying non-consolidated statements of income have been presented on the accrual basis and represent, in each fiscal year ended February 28 (or February 29), dividends to be approved after such February 28 (or February 29), but applicable to the year then ended.

11. Subsequent Event

On December 3, 1999, the Board of Directors declared a stock split to be distributed on April 20, 2000, to shareholders of record as of February 29, 2000, in the ratio of 1.1 shares for each one share held. As a result the number of shares issued will increase by 2,761,838.

Net income per share reflected in the non-consolidated statements of income for the years ended February 29, 2000 and February 28, 1999, adjusted for this stock split, are ¥126.22 (\$1.15) and ¥102.94 per share, respectively.

Report of Independent Public Accountants

To the Shareholders and the Board of Directors of MYCAL CARD INC.

We have audited the accompanying non-consolidated balance sheets of MYCAL CARD INC. (a Japanese corporation) as of February 29, 2000, and February 28, 1999, and the related non-consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the non-consolidated financial position of MYCAL CARD INC. as of February 29, 2000, and February 28, 1999, and the non-consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis, except for the change, with which we concur, in the methods of accounting for recognition of operating revenues for "consumer shopping credit" and retirement allowances for directors and corporate auditors as described in Notes 2 (a) and (i).

Also, in our opinion, the U.S. dollar amounts in the accompanying non-consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Osaka, Japan
May 25, 2000



Asahi & Co.
(Member firm of Andersen Worldwide SC)

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

Board of Directors

Chairman

Shigeki Obata*

Managing Directors

Eiji Fujita
Santa Kuwahara

Statutory Auditor

Teruaki Fujii

President

Takashi Takahashi*

Directors

Kazuyoshi Yamaoka
Osamu Kuroi
Takashi Shimazu
Katsumi Inui
Yasushi Wada

Auditors

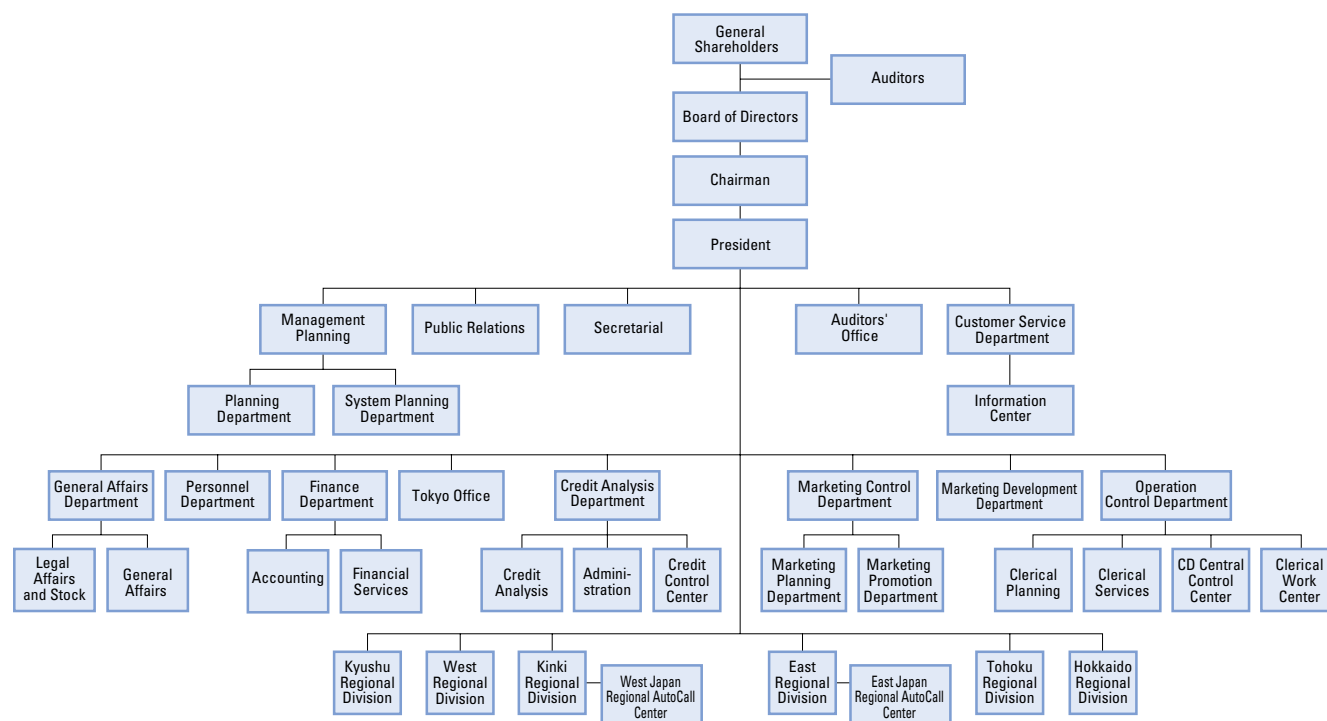
Shigeki Okuyama
Kazuyuki Morisawa
Fuminori Imanishi

Senior Managing Director

Kazuo Okubo

* Representative Director

Organizational Chart



Corporate Data

Name	MYCAL CARD INC.
Representative Directors	Shigeki Obata, Chairman Takashi Takahashi, President
Headquarters	Dosho-machi Ashibe Bldg., 1-3-1 Dosho-machi Chuo-ku, Osaka 541-8552, Japan Tel: +81-6-6227-0741 Fax: +81-6-6227-0824
Tokyo Office	3F, Furointou Mita Bldg., 2-14-5 Mita Minato-ku, Tokyo 108-0073, Japan Tel: +81-3-5441-3451 Fax: +81-3-5441-3453
Business Profile	<ul style="list-style-type: none"> • Credit card service, factoring business • Consumer loan services • Mortgage certificate trading • Life-insurance policy sales, non-life insurance agency services • General-purpose leasing • Travel agency services
Established	May 25, 1982
Capital	¥11,020 million*
Major Stockholders	<ul style="list-style-type: none"> • MYCAL Finance Co., Ltd. • State Street Bank and Trust Company • The Dai-ichi Kangyo Bank, Ltd. • The Chase Manhattan Bank NA, London • The Sumitomo Trust and Banking Co., Ltd.
Settlement Date	End of February (mid-term settlement in August)
Operating Revenues	¥27,331 million (March 1, 1999 ~ February 29, 2000)
Cardholders	6.53 million*
Number of Outlets	85*
Shares Authorized	40,000,000*
Shares Issued	30,380,222
Number of Stockholders	7,499*
Bankers	<ul style="list-style-type: none"> • The Dai-ichi Kangyo Bank, Ltd. • The Fuji Bank, Ltd. • The Sanwa Bank, Ltd. • The Asahi Bank, Ltd. • The Bank of Tokyo-Mitsubishi, Ltd. • The Sumitomo Trust and Banking Co., Ltd. • The Industrial Bank of Japan, Ltd. • The Norinchukin Bank
Number of Employees	577 (184 males, 393 females)*

(as of May 25, 2000, except *February 29, 2000)

MYCAL CARD INC.

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