



## Profile

Established in 1982 as a credit-card company within the MYCAL Group, MYCAL CARD INC. has since developed as a total lifestyle financing business guided by its corporate motto of “offering retail financial services that are designed to make customers’ lives more enjoyable” and has continued to deliver a wide array of services in swift response to customer needs.

On March 27, 2001, Sanyo Shinpan Finance Co., Ltd., announced a takeover bid for MYCAL CARD INC. The parent company, MYCAL Corporation, consented to the takeover and offered for sale holdings in MYCAL CARD INC. A board meeting of MYCAL CARD INC. held on the same day also approved the takeover. As a result, Sanyo Shinpan Co., Ltd., became the parent company of MYCAL CARD INC.

In the future, MYCAL CARD INC. will continue to enter into comprehensive business agreements with MYCAL Corporation, and will carry on handling the credit business of the MYCAL Group on the basis of a close working relationship. At the same time, MYCAL CARD INC. will build a strong partnership with Sanyo Shinpan Finance Co., Ltd., to cooperate in the creation of a new and comprehensive range of consumer-oriented financial services.

In August 1999, MYCAL CARD INC. took a step beyond the bounds of the credit industry and into the realm of information technology with the general issue of the MYCAL IC MasterCard – a credit card fitted with integrated circuit technology – which is the future centerpiece of our operations. By carrying over into new sectors the attendant advantages of advanced security and high-capacity memory, we will become well placed to develop our business activities on a broad front, ensuring a leading position in the cashless society of the 21st century.

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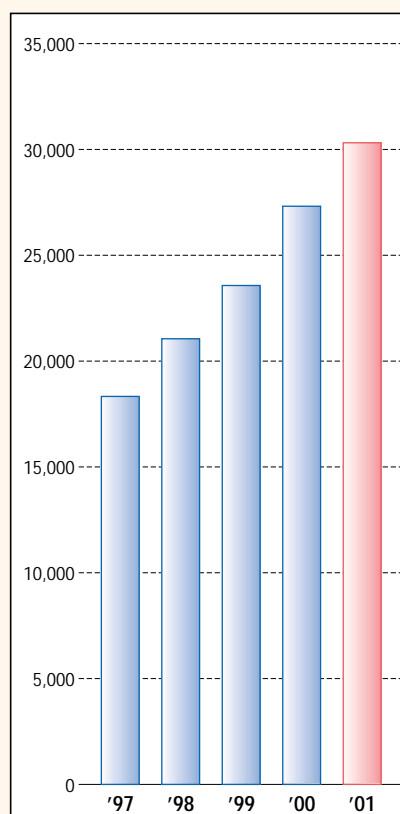
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# Financial Highlights

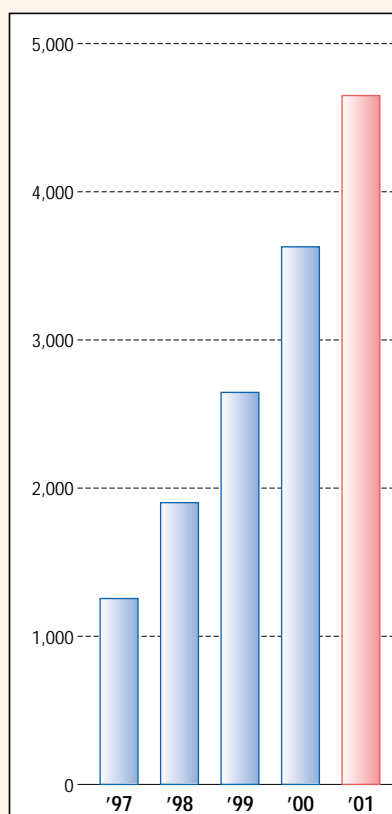
	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
<b>For the Year:</b>			
Operating revenues.....	¥ 30,426	¥ 27,331	\$ 262,293
Net income.....	4,635	3,647	39,957
<b>At Year-end:</b>			
Shareholders' equity.....	36,428	32,768	314,034
Total assets.....	144,893	127,398	1,249,077
<b>Per Share:</b>			
Net income.....	¥ 154.50	¥ 126.22	\$ 1.33
Cash dividends.....	35.00	30.00	0.30

- Notes 1. The U.S. dollar amounts in this annual report are given for convenience only and represent translations of Japanese yen at the rate of ¥116 to US\$1.00.
2. Net income per share is calculated based on the weighted average number of shares outstanding during each term.

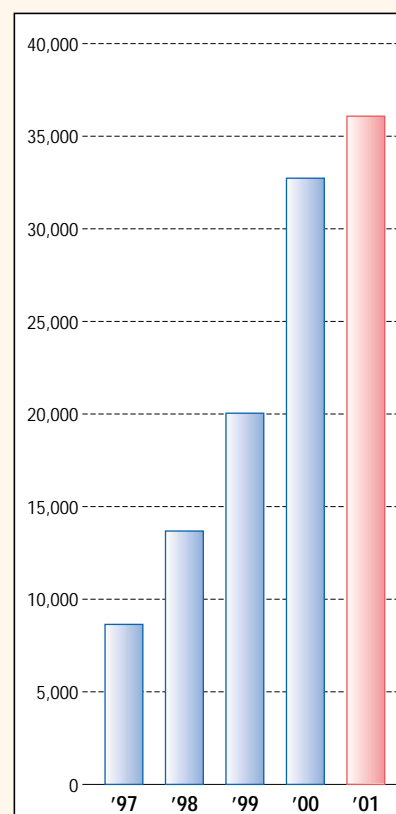
**Operating Revenues**  
(Millions of yen)



**Net Income**  
(Millions of yen)



**Shareholders' Equity**  
(Millions of yen)



## To Our Shareholders



Takashi Takahashi, President

The fiscal year ended February 28, 2001, began with the expectation that growth in the information technology sector would carry the Japanese economy into a period of sustained recovery. In the second half of the period, however, a slowdown in the U.S. economy and a decline in exports to Asia precipitated a sudden worsening of the domestic economic climate.

Although the general deflationary climate was reflected in stagnating personal consumption, the retailer-affiliated credit services industry, of which we are a part, benefited from an expansion in the range of credit-card use. This was a major factor in allowing us to post healthy growth in the transaction volumes arising from retail purchases and cash loans. At the same time, the use of Group-affiliated retail networks as a channel of access to new card members is no longer the reliable method it once was, while rates of personal bankruptcy due to multiple debt and card-related crime continue to show a rising tendency. Conditions in our operating environment thus leave no room for complacency.

Against this background, MYCAL CARD INC. continued its efforts to increase card membership and enhance customer service. Regarding the former objective, we reinforced our recruitment network by opening 13 new outlets, and diversified cardholder-recruitment channels by offering the special benefits of our cards through partnerships with retailers and by offering an online application service for new cards through our website.

Another strategy for expanded membership was the issue of cards in partnership with organizations outside the MYCAL Group: we formed partnerships with the Japan Animal Hospital Association to create the so-called HAB (human animal bond) CARD, and with the ULTRA' NIPPON group of national soccer team supporters to begin issue of the MasterCard ULTRA' NIPPON CARD, the official credit card of the 2002 World Cup, which is to be hosted jointly by Japan and South Korea.

Regarding enhancement of customer service, our drive to increase the number of facilities accepting MYCAL-issued cards led to a growth of 47,000 to 261,000 in the number of member merchants. We also devoted energies to increasing the number of cash-dispensing and automated teller machines operated by other enterprises but accepting MYCAL-issued cards. As a result of agreements made with seven provincial banks, the total number of machines available to our customers grew by around 2,000 to approximately 80,000.

These aggressively pursued strategies were rewarded by an increase of 560,000 in the total number of cards in issue at the end of the period, which stood at 7.09 million. Similarly, operating revenues grew by 11.3% to ¥30,426 million, operating income by 25.4% to ¥9,315 million and net income by 27.1% to ¥4,635 million.

An important goal of our business activity is to guarantee a steady rate of shareholder return. While paying due attention to adequate internal retention of funds, we therefore take a positive stance toward payment of dividends reflecting business performance and economic conditions. Accordingly, as this year will mark the 20th anniversary of our establishment, we paid on top of the regular dividend an additional commemorative dividend of ¥5 per share to give a combined dividend at the end of the period of ¥35 per share.

Looking to the future, we see ourselves as a leading company in the field of integrated circuit (IC) cards, working with the solid backing of Sanyo Shinpan Finance Co., Ltd., to enhance customer service, promoting partnership-based IC card issues, diversifying our channels of cardholder recruitment, and taking vigorous action to increase the transaction volumes arising outside the MYCAL Group. Through these strategies, we look forward to continued corporate growth.

May 22, 2001



Takashi Takahashi, President

# Integrated Circuit Technology Revolutionizes the MYCALCARD



Credit-card companies can be categorized according to whether they are affiliated with the banking sector, a consumer-credit provider, a manufacturing entity, or, as in the case of MYCAL CARD INC., a retail grouping.

We have enjoyed healthy growth by exploiting to the full our membership of the MYCAL Group with its nationwide scale of operations, which gives us the great advantage of being able to recruit cardholders from a wide range of consumer groups. With the added benefit of the international dimension gained through our 1993 agreement with MasterCard, our card services have evolved from their origin as a private label card to the international level allowing them to be used overseas as well as in Japan. Then, in August 1999, we launched the MYCAL IC MasterCard. Fitted with integrated circuit technology, this card is based on the so-called MULTOS technology platform, which has been awarded the highest score of E6 under the ITSEC\*

system. With its high-capacity memory and high level of security, it represents the credit card of the future.

On the strength of their user-friendly features and high level of security, the number of MYCAL IC MasterCards in issue has now passed the 1.7 million mark (as of February 28, 2001). It is planned to eventually convert all MYCAL-issued cards to the MYCAL IC MasterCard format.

The development of IC card technology allows cards to be issued in partnership with other branches of commerce and industry. As this trend develops, MYCAL CARD INC. is ceasing to be simply a credit-card company and taking a great evolutionary step as an information technology enterprise at the cutting edge of modern society.

\*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.

## IC card expands scope for partnership with other industries

In order to deploy the IC card with its multifunctions and high security in a wide range of areas, we concluded an agreement in March 2000 with Suruga Bank to issue the SURUGA MYCALCARD, our first partnership-based IC card. Since then, we have formed partnerships with the ULTRA' NIPPON group of national soccer team supporters, the Japan Animal Hospital Association and the Outlet Town Wall shopping center in Hokkaido to produce joint IC cards with a range of different functions. In the future we will energetically develop new services based on the inbuilt integrated circuit; specifically we aim to create unique applications to allow payment of electronic commerce transactions, debiting of small-denomination sums and storing of personal data to be performed more speedily, thereby stimulating partnerships with financial institutions and entities from other industries.





### Exploiting the potential of IC technology

The MYCAL IC MasterCard with its inbuilt integrated circuit technology has more than one hundred times the memory capacity of a magnetic card, allowing it to be endowed with a wide range of functions for use in a variety of different ways. In the banking sector, it can be used most obviously as a cash card, but also for asset management and as an electronic personal organizer; in the retail sector it lends itself to use as a shopping card and a goods voucher; in the healthcare sector it could be used for instance as a patient registration card, a medical record file, or a medical insurance card.

Among the many and varied other functions to which its use

could be extended are student card, educational records, qualification certificate, public transportation pass, driver's license, telephone card, e-mail identity card, employee pass card, resident's registration card, entry and exit card for secure buildings and rooms, and startup key for cars and computers.

MYCAL CARD INC. will now concentrate its energies on the development of software for loading onto the integrated circuit and on improvement of the hardware side represented by the card itself. In so doing, we will make a significant contribution to the society based on advanced information technology and electronic data which is taking shape at an ever faster pace.

### Cardholder base growth through outstanding ability in service development

Our services are provided in three main areas: credit-card services; loan services; and related services. The latter of these includes sale of life insurance policies, agency handling of non-life insurance, and travel agency business. When the package tours of noted travel agencies are booked through MYCAL CARD Travel Centers, an across-the-board 5% discount is given along with a guarantee of assistance in the event of accident-related injury or damage, and even free motor insurance to cover breakdown situations such as flat tires and dead batteries. This provision of finely tailored services, a hallmark of our business approach, is one strand of our product development strategy.

In another scheme known as Program N, when a MYCALCARD with the N logo on its reverse is shown at

any of 25,000 participating retail stores, special benefits and discount points are awarded. This is expected to have a powerful effect in boosting business through non-MYCAL Group outlets.

It is this kind of tireless groundwork that is responsible for the continuous growth in the number of MYCAL-issued cards (7.09 million as of February 28, 2001) and the number of member merchants (261,000).



### Enhanced service through expansion of cash machine network

To offer our customers a highly convenient cash-withdrawal service, we have built up a nationwide network of 80,000 machines stretching from Hokkaido in the north to Kyushu in the south and consisting of our own cash-dispensing machines as well as cash-dispensing and automated teller machines operated by other enterprises. Expansion of this network has contributed greatly to improvement of business performance. In the future, we will promote mutual access agreements with banks and customer-credit enterprises to further enhance customer convenience.

Meanwhile, our strategies for the perfection of our service network include increased provision of unstaffed automated service terminals where cards can be issued on the spot, and increased installation of dedicated reader/writers, which interpret and imprint advanced sequences of card-borne data.



Cash dispensers



MYCAL CARD counter

## Full Speed Ahead with Future Projects



MYCAL GOLD CARD



MYCAL SILVER CARD



MYCAL BLUE CARD

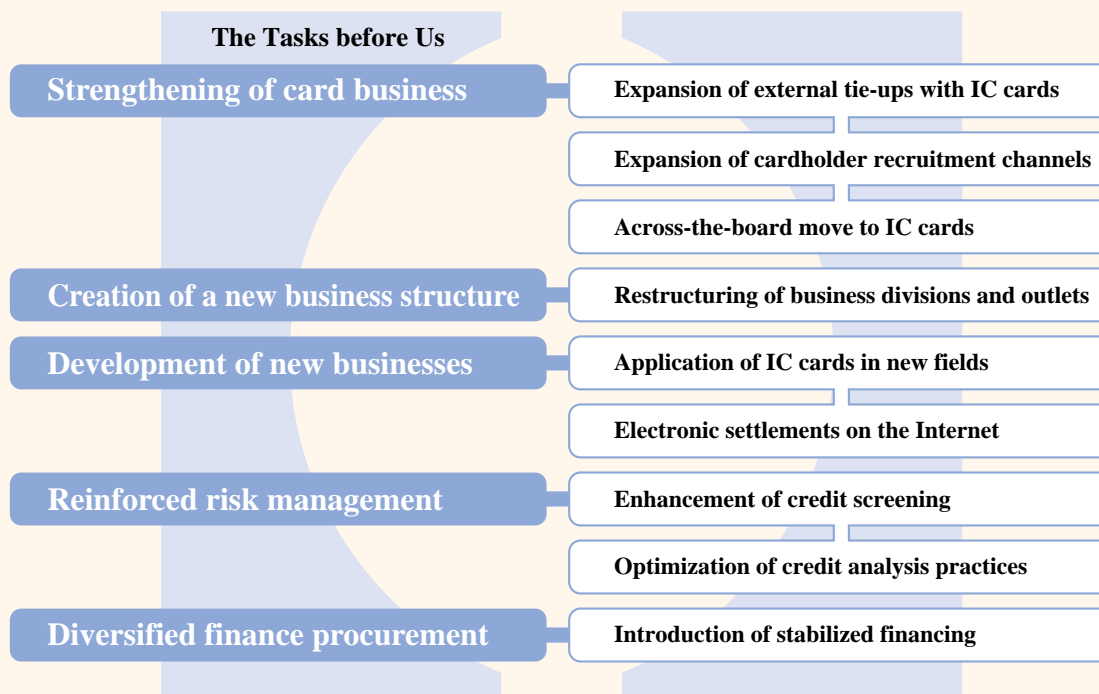
With the Japanese economy likely to be affected by further negative growth in public works investment and housing construction, and with little prospect of a recovery in the strength of consumer spending, a self-sustaining economic recovery cannot be expected in the immediate future.

In order to respond speedily and accurately in these circumstances to movements in the business environment, we have introduced a new corporate officer system. By separating administration of operations and managerial decision-making, we have reinforced the ability of the board

of directors to formulate business strategy and to monitor execution of operations. In addition, by clarifying areas of responsibility and division of tasks among our corporate officers, we have moved toward a more developed system of corporate governance.

Meanwhile, to promote efficiency of operations and at the same time build a solid business base, we are tackling the following five tasks vigorously:





<b>1. Strengthening of card business</b>	
<p>We will continue to devote energies to increasing cardholder numbers and enhancing customer service. As well as promoting the issue of IC cards based on partnerships with other organizations, we will expand and reinforce our cardholder recruitment channels and press ahead with</p>	<p>the conversion of all MYCAL-issued cards to IC card format. In this way, attention will be given to the tasks of improving the efficiency of card use and expanding the amount of business handled through non-MYCAL Group retail outlets.</p>
<b>2. Creation of a new business structure</b>	
<p>In March 2001, we switched from the former structure of six regional divisional offices controlling 78 outlets to one of seven branch offices controlling 67 outlets in addition to unstaffed automated service terminals. At the same time we centralized back-office processing,</p>	<p>which had previously been carried out at the individual regional offices, thus realizing a more flexible sales structure and more efficient administrative procedures.</p>
<b>3. Development of new businesses</b>	
<p>As well as leading the way in opening up new business areas for the IC card outside the sphere of credit operations, we are working on methods</p>	<p>of electronic payment for use on the Internet.</p>
<b>4. Reinforced risk management</b>	
<p>From March 2001, to reinforce the process of credit monitoring following card issue we increased the number of credit monitoring officers in our Credit Analysis Department. In June 2001, to reinforce credit screening carried out at the time of card issue, and to increase</p>	<p>efficiency in the credit analysis department, we established a Credit Analysis Center. This upgrading of credit monitoring and debt management will allow us to respond swiftly to the future expected rise in card counterfeiting and repayment arrears.</p>
<b>5. Diversified finance procurement</b>	
<p>Corporate bonds, commercial papers, and liquidation of claims will be used to raise the rate of direct financing and to diversify procurement methods so as to realize more effective and reliable financing.</p>	<p>Working energetically on the completion of these tasks, we aim to ensure our position as a leading force in the credit-card industry.</p>

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## Seeking Synergy with Sanyo Shinpan

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### **Our parent company has changed from MYCAL Corporation to Sanyo Shinpan Co., Ltd.**

On March 27, 2001, Sanyo Shinpan announced a takeover bid for MYCAL CARD INC. At the time, the parent company MYCAL Corporation wished to reduce its interest-bearing debt so as to concentrate operating resources in its core business of consumer goods retail and to ensure a sound financial basis. It therefore consented to the takeover and offered for sale holdings in MYCAL CARD INC. of 16,585,700 shares. A board meeting of MYCAL CARD INC. held on the same day also concluded that a relationship

with Sanyo Shinpan would not impair the continuity of its business, and that Sanyo Shinpan would constitute a strong partner offering a synergistic marketing relationship; the takeover was accordingly approved. The three companies subsequently gave a joint press conference. The takeover was carried out between March 29 and April 18 and led to Sanyo Shinpan acquiring 15,494,000 shares in MYCAL CARD INC., or 51.0% of all stock, thus becoming the parent company.

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### **Conclusion of business agreement with MYCAL Group**

Although our parent company has changed from MYCAL Corporation to Sanyo Shinpan, we have nevertheless entered into a comprehensive business agreement with MYCAL Corporation through which we aim to maintain a close working relationship with our former parent company and to continue to handle the credit business of the MYCAL Group. There will therefore be no major change in our business policy. We do not intend to alter our company name or the MYCALCARD brandname, and both existing and newly issued cards will be available for use in the same way as before.

### **Creation of new consumer-oriented financial services**

MYCAL CARD INC. will build a strong partnership with Sanyo Shinpan to develop new consumer-oriented financial services which integrate consumer credit with consumer finance. Equipped with expertise in both credit clearance and debt recovery, we will evolve advanced systems in these two areas and, through sharing of infrastructures and increased efficiency, will achieve a synergistic effect. Since Sanyo Shinpan has a strong base in Kyushu and Shikoku, our partnership will strengthen the operations in these regions.

# Financial Section

## Five-year Summary

	Millions of yen					Thousands of U.S. dollars
	2001	2000	1999	1998	1997	2001
<b>For the Year:</b>						
Volume of new contracts .....	¥ 341,004	¥ 315,541	¥ 278,396	¥ 259,928	¥ 228,472	\$ 2,939,690
Operating revenues .....	30,426	27,331	23,400	21,043	18,398	262,293
Financial cost, net .....	1,338	1,357	1,461	1,314	1,213	11,534
Other operating expenses .....	19,773	18,547	15,975	15,212	14,108	170,457
Operating income .....	9,315	7,427	5,964	4,517	3,077	80,302
Income before income taxes .....	8,076	7,079	5,790	4,351	2,930	69,621
Net income .....	4,635	3,647	2,666	1,927	1,176	39,957
Return on equity (%) .....	13.4	13.8	16.1	17.9	18.9	—
<b>At Year-end:</b>						
Working capital .....	¥ 73,254	¥ 62,344	¥ 56,674	¥ 46,053	¥ 44,780	\$ 631,500
Installment accounts receivable .....	125,652	116,604	101,068	91,941	82,797	1,083,207
Allowance for doubtful receivables .....	(3,099)	(2,980)	(2,560)	(1,980)	(1,390)	(26,716)
Short-term borrowings and long-term debt .....	74,318	68,912	71,218	69,575	63,299	640,672
Shareholders' equity .....	36,428	32,768	19,978	13,051	8,493	314,034
Total assets .....	144,893	127,398	116,575	105,539	92,792	1,249,077
Shareholders' equity ratio (%) .....	25.1	25.7	17.1	12.4	9.2	—
<b>Per Share:</b>						
Net income .....	¥ 154.50	¥ 126.22	¥ 102.94	¥ 85.26	¥ 60.20	\$ 1.33
Shareholders' equity .....	1,199.08	1,078.60	708.93	506.64	349.37	10.34
Cash dividends .....	35.00	30.00	32.50	22.50	15.00	0.30

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.

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 period ended February 28, 2001, the Japanese economy showed signs of recovering capital investment, mainly in the information technology sector; at the same time, continued pressure on income and employment, a series of major corporate failures, and share price stagnation all cast a shadow on consumer activity, so that sustained economic recovery remained elusive.

Against this background, the Company continued with an energetic program of expanding card membership and enhancing customer service. This was rewarded with an increase of 560,000 in the number of cards in issue compared to that of the previous year-end, to reach a total of 7.09 million.

With the aim of raising operating efficiency and cutting costs, efforts were directed specifically at expanding and rationalizing the network of service outlets, and replacing staffed service counters with unstaffed automated service terminals. With the respective numbers of each type of outlet reduced by one and increased by seven, the combined total expanded from 162 to 168.

In order to achieve expansion and development beyond the confines of the MYCAL Group, the Company pursued a strategy of increasing its network of available cash-dispensing machines and forging agreements with other credit-card companies, provincial banks and related institutions. As a result, the number of cash dispensers and automated teller

machines accepting the MYCALCARD grew by 2,000 to reach a nationwide total of 80,000. The Company also devoted energies to increasing the number of participating retail outlets, which was boosted by 22% to 261,000.

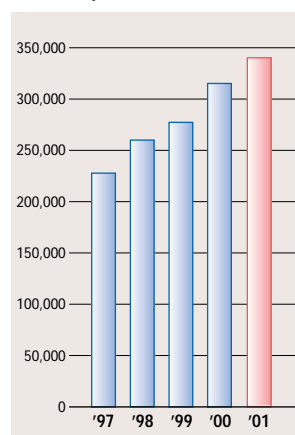
As a result of these positive developments, the total value of new contracts in the period, at ¥341,004 million, experienced a 8.1% rise. In the credit-card business, the value of new contracts rose by 14.4% to ¥145,844 million or 42.8% of the total; in the loan business, the value of new contracts grew 7.4% to ¥108,524 million, or 31.8% of the total, while in agency services new contracts declined by 0.5% to ¥83,734 million, or 24.6% of the total. Other services accounted for 0.8% of total value.

Income analysis

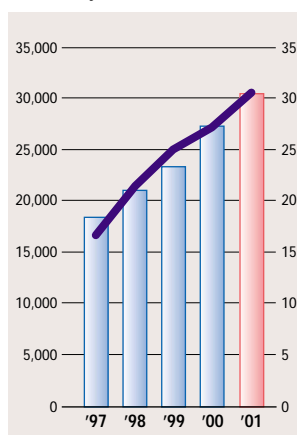
Operating revenues for the period, at ¥30,426 million, posted an increase of 11.3%. Operating revenues in the credit-card business, which accounted for 12.8% of the total, expanded by 12.3%; the loan business, which brought in 74.8% of total operating revenues, enjoyed revenue growth of 12.6%, while agency services, with 3.5% of the total, experienced a 2.5% decrease.

Although general and administrative expenses grew by 4.9% to ¥16,316 million, as a proportion of operating revenues they were 3.3 percentage points lower than in the previous period, at 53.6%. This reflected the success of the Company's rationalization strategies, chief among them the switch to unstaffed service terminals, which meant that the target for personnel cost reduction was by and large achieved.

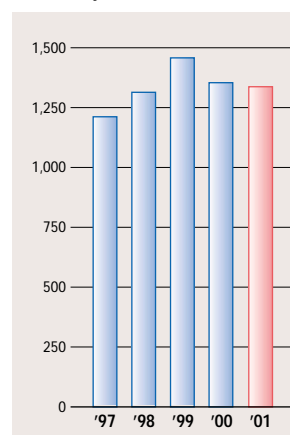
**Volume of New Contracts**  
(Millions of yen)



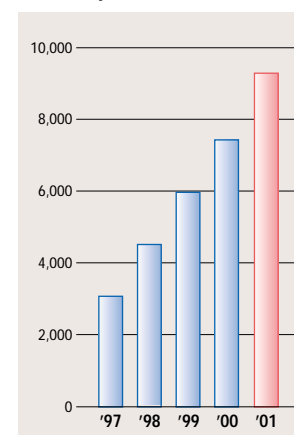
**Operating Revenues**  
(Millions of yen)



**Financial Cost, Net**  
(Millions of yen)



**Operating Income**  
(Millions of yen)



— Operating Income to Revenues Ratio (%)

Operating expenses increased 6.1% to ¥21,111 million, while operating income grew by a substantial 25.4% to ¥9,315 million, representing 30.6% of operating revenues, an increase of 3.4 percentage points. Net income for the period climbed by 27.1% to ¥4,635 million.

#### Assets

Total assets rose by 13.7% to stand at ¥144,893 million, consisting of ¥138,556 million in current assets and ¥6,337 million in fixed assets. The fixed assets ratio was reduced by 3.7 percentage points to 17.4%.

#### Cash flow analysis and financial position

Adding to the effect of increases in net income and depreciation and amortization, the Company issued unsecured commercial paper in the value of ¥10,000 million as a means of procuring short-term funds, with the result that cash and cash equivalents jumped 166.9% to stand at ¥14,320 million at year-end. Meanwhile, installment accounts receivable rose 7.8% to ¥125,652 million and current liabilities 12.3% to ¥65,302 million.

As a result of a 1 to 1.1 stock split carried out on April 20, 2000, the number of shares outstanding increased by 2,761,838 to stand at 30,380,222 at the end of the period. Dividend expenses were ¥265 million higher than in the previous period at ¥1,063 million. Shareholders' equity experienced an 11.2% growth to ¥36,428 million.

Shareholders' equity ratio fell 0.6 percentage points to 25.1%, while return on equity moved down 0.4 percentage points to 13.4%.

#### Significant subsequent events

The Board of Directors' meeting of March 27, 2001, approved the acquisition by Sanyo Shinpan Finance Co., Ltd., of Company common stock by public cash purchase from general shareholders (other than major shareholders and their associates) at a price of ¥4,100 per share. The details of the purchase are as follows:

1. Shares involved: 15,494,000
2. Purchase period: March 29 ~ April 18, 2001
3. Total value of purchase: ¥63,525,400,000

The parent company MYCAL Corporation, approved the purchase, offering 16,585,700 shares.

#### April 19, 2001

On April 19, 2001, of the 16,585,760 Company shares held by the parent company, MYCAL Corporation, 10,357,900 were transferred to Sanyo Shinpan Finance Co., Ltd., through public sale. MYCAL Corporation, accordingly now holds 6,227,860 shares and ceases to be the parent company and chief shareholder, which status now passes to Sanyo Shinpan Finance Co., Ltd. Details of the new parent company are given below.

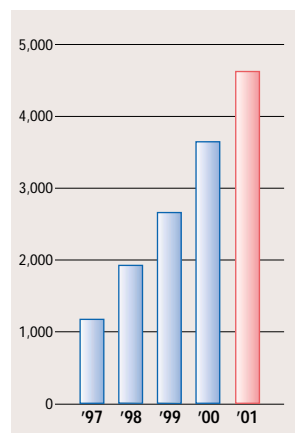
Name: Sanyo Shinpan Finance Co., Ltd.

Location: 1-8 Kami-gofuku-machi, Hakata-ku, Fukuoka

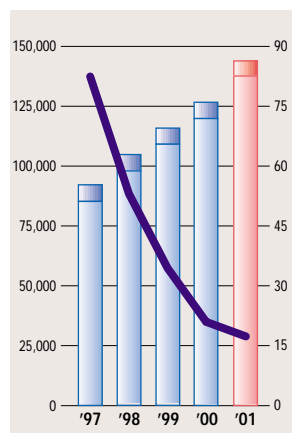
Representative: Akihiro Ono

Capital: ¥1,567,300 million

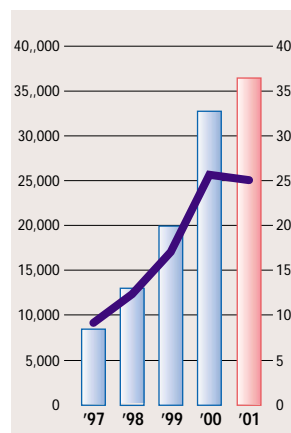
**Net Income**  
(Millions of yen)



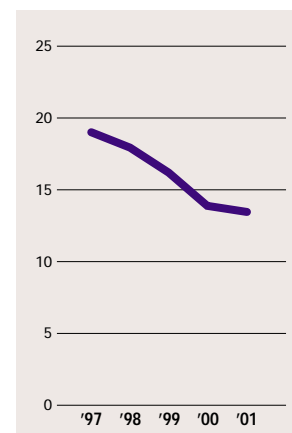
**Total Assets**  
(Millions of yen)



**Shareholders' Equity**  
(Millions of yen)



**Return on Equity**  
(%)



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

— Equity Ratio (%)



## Non-consolidated Balance Sheets

As of February 28, 2001 and February 29, 2000

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	2001
<b>Current Assets:</b>			
Cash and cash equivalents.....	¥ 14,320	¥ 5,366	\$ 123,448
Installment accounts receivable (Note 4).....	125,652	116,604	1,083,207
Allowance for doubtful receivables (Note 5).....	(3,090)	(2,980)	(26,638)
Deferred income taxes (Note 8).....	325	293	2,802
Prepaid expenses and other current assets.....	1,349	1,212	11,629
Total Current Assets.....	<u>138,556</u>	<u>120,495</u>	<u>1,194,448</u>
<b>Property and Equipment:</b>			
Land .....	1,304	2,702	11,241
Buildings and structures .....	1,882	1,788	16,224
Equipment and fixtures.....	1,932	1,037	16,655
Equipment for lease.....	329	498	2,836
Accumulated depreciation .....	(2,165)	(1,948)	(18,663)
Total Property and Equipment, net.....	<u>3,282</u>	<u>4,077</u>	<u>28,293</u>
<b>Intangible Assets:</b>			
Software .....	1,631	1,350	14,060
Other .....	98	97	845
Total Intangible Assets .....	<u>1,729</u>	<u>1,447</u>	<u>14,905</u>
<b>Investments and Other Assets:</b>			
Investments in securities (Note 3).....	243	227	2,095
Long-term prepaid expenses .....	500	440	4,310
Deferred income taxes (Note 8).....	—	80	—
Other .....	592	632	5,104
Allowance for doubtful receivables (Note 5).....	(9)	—	(78)
Total Investments and Other Assets.....	<u>1,326</u>	<u>1,329</u>	<u>11,431</u>
	<u>¥ 144,893</u>	<u>¥ 127,398</u>	<u>\$ 1,249,077</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 (Note 7)
	2001	2000	2001
<b>Current Liabilities:</b>			
Short-term borrowings (Note 6) .....	¥ 12,000	¥ 15,500	\$ 103,448
Current portion of long-term debt (Note 6) .....	19,595	17,190	168,922
Commercial paper .....	10,000	—	86,207
Notes and accounts payable –			
Trade .....	20,769	22,106	179,043
Other .....	747	631	6,440
Accrued income taxes .....	1,529	1,973	13,181
Accrued expenses and other current liabilities .....	662	751	5,707
Total Current Liabilities .....	<u>65,302</u>	<u>58,151</u>	<u>562,948</u>
<b>Long-term Liabilities:</b>			
Long-term debt (Note 6) .....	42,723	36,222	368,302
Estimated termination and retirement allowances .....	283	242	2,440
Deferred income taxes (Note 8) .....	144	—	1,241
Other .....	13	15	112
Total Long-term Liabilities .....	<u>43,163</u>	<u>36,479</u>	<u>372,095</u>
<b>Shareholders' Equity (Note 11):</b>			
Common stock, par value ¥50 per share:			
Authorized – 80,000,000 shares			
Outstanding – 30,380,222 shares in 2001 and 27,618,384 shares in 2000 .....	11,020	11,020	95,000
Additional paid-in capital .....	12,330	12,330	106,293
Legal reserve .....	390	293	3,362
Retained earnings .....	12,688	9,125	109,379
Total Shareholders' Equity .....	<u>36,428</u>	<u>32,768</u>	<u>314,034</u>
	<u>¥ 144,893</u>	<u>¥ 127,398</u>	<u>\$ 1,249,077</u>

## Non-consolidated Statements of Income

For the years ended February 28, 2001 and February 29, 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	2001
<b>Operating Revenues:</b>			
Financing and administration fees .....	¥ 29,504	¥ 26,333	\$ 254,345
Other revenue .....	922	998	7,948
	<u>30,426</u>	<u>27,331</u>	<u>262,293</u>
<b>Operating Expenses:</b>			
Financial cost, net .....	1,338	1,357	11,534
General and administrative expenses.....	16,316	15,554	140,655
Provision for doubtful receivables and loan losses (Note 5) .....	3,457	2,993	29,802
	<u>21,111</u>	<u>19,904</u>	<u>181,991</u>
<b>Operating income</b> .....	<b>9,315</b>	<b>7,427</b>	<b>80,302</b>
<b>Other Expenses:</b>			
Loss on disposal and sale of property and equipment .....	1,212	316	10,448
Other, net.....	27	32	233
	<u>1,239</u>	<u>348</u>	<u>10,681</u>
<b>Income before income taxes</b> .....	<b>8,076</b>	<b>7,079</b>	<b>69,621</b>
<b>Provision for income taxes (Note 8)</b>			
Current .....	3,250	3,477	28,017
Deferred .....	191	(45)	1,647
<b>Net income</b> .....	<b>¥ 4,635</b>	<b>¥ 3,647</b>	<b>\$ 39,957</b>
<b>Per Share of Common Stock:</b>			
Net income.....	¥ 154.50	¥ 126.22	\$ 1.33
Cash dividends .....	35.00	30.00	0.30

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 28, 2001 and February 29, 2000

	Number of shares of common stock	Millions of yen			
		Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance at February 28, 1999 .....	23,289,440	¥ 6,206	¥ 7,518	¥ 212	¥ 6,042
Common stock issued .....	2,000,000	4,814	4,812	-	-
Net income .....	-	-	-	-	3,647
Effect of change in accounting for income taxes...	-	-	-	-	329
Appropriations:					
Cash dividends paid .....	-	-	-	-	(734)
Directors' and corporate auditors' bonuses .....	-	-	-	-	(78)
Transfer to legal reserve .....	-	-	-	81	(81)
1.1 for 1 stock split, April 20, 1999 .....	2,328,944	-	-	-	-
Balance at February 29, 2000 .....	27,618,384	11,020	12,330	293	9,125
Net income .....	-	-	-	-	4,635
Appropriations:					
Cash dividends paid .....	-	-	-	-	(870)
Directors' and corporate auditors' bonuses .....	-	-	-	-	(105)
Transfer to legal reserve .....	-	-	-	97	(97)
1.1 for 1 stock split, April 20, 2000 .....	2,761,838	-	-	-	-
Balance at February 28, 2001 .....	30,380,222	¥ 11,020	¥ 12,330	¥ 390	¥ 12,688

	Number of shares of common stock	Thousands of U.S. dollars (Note 1)			
		Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance at February 29, 2000 .....	27,618,384	\$ 95,000	\$ 106,293	\$ 2,526	\$ 78,664
Net income .....	-	-	-	-	39,957
Appropriations:					
Cash dividends paid .....	-	-	-	-	(7,500)
Directors' and corporate auditors' bonuses .....	-	-	-	-	(906)
Transfer to legal reserve .....	-	-	-	836	(836)
1.1 for 1 stock split, April 20, 2000 .....	2,761,838	-	-	-	-
Balance at February 28, 2001 .....	30,380,222	\$ 95,000	\$ 106,293	\$ 3,362	\$ 109,379

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 28, 2001 and February 29, 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	2001
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes.....	¥ 8,076	¥ 7,079	\$ 69,621
Depreciation and amortization .....	1,198	905	10,327
Increase in provision for doubtful receivables .....	119	420	1,026
Increase (decrease) in retirement allowances .....	(1)	4	(9)
Increase in directors' retirement allowances.....	42	29	362
Interest and dividend income .....	(7)	(6)	(60)
Interest expenses .....	1,336	1,350	11,517
Loss on disposal and sale of property and equipment .....	1,191	278	10,267
Increase (decrease) in notes and accounts payable .....	(1,207)	596	(10,405)
Increase in credit-card receivables .....	(2,820)	(2,592)	(24,310)
Increase in loans receivable.....	(6,214)	(12,649)	(53,569)
Increase in supplies .....	(91)	(119)	(784)
Bonuses paid to directors and auditors .....	(105)	(78)	(906)
Other, net.....	(234)	(719)	(2,017)
Subtotal .....	<u>1,283</u>	<u>(5,502)</u>	<u>11,060</u>
Interest and dividends received.....	7	6	60
Interest paid.....	(1,340)	(1,370)	(11,551)
Income tax paid.....	(3,693)	(3,505)	(31,836)
Net cash used in operating activities .....	<u>(3,743)</u>	<u>(10,371)</u>	<u>(32,267)</u>
<b>Cash Flows from Investing Activities:</b>			
Purchases of equipment for lease .....	(18)	(35)	(155)
Proceeds from sales of equipment for lease .....	23	95	198
Purchases of property and equipment.....	(1,281)	(278)	(11,043)
Proceeds from sales of property and equipment.....	298	150	2,569
Purchases of intangible assets .....	(807)	(722)	(6,956)
Investments in securities acquired.....	(17)	(100)	(147)
Net cash used in investing activities .....	<u>(1,802)</u>	<u>(890)</u>	<u>(15,534)</u>
<b>Cash Flows from Financing Activities:</b>			
Increase (decrease) in short-term borrowings, net.....	(3,500)	5,500	(30,172)
Increase in commercial paper, net .....	10,000	—	86,207
Proceeds from long-term debt.....	20,900	10,150	180,172
Repayment of long-term debt.....	(17,190)	(17,956)	(148,190)
Proceeds from bond issuance .....	5,196	—	44,793
Bond issuance costs .....	(39)	—	(336)
Dividends paid .....	(870)	(734)	(7,500)
Proceeds from issuance of common stock.....	—	9,626	—
Net cash provided by financing activities.....	<u>14,497</u>	<u>6,586</u>	<u>124,974</u>
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<u>2</u>	<u>0</u>	<u>17</u>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<u>8,954</u>	<u>(4,675)</u>	<u>77,190</u>
<b>Cash and cash equivalents at beginning of year .....</b>	<u>5,366</u>	<u>10,041</u>	<u>46,258</u>
<b>Cash and cash equivalents at end of year .....</b>	<u>¥ 14,320</u>	<u>¥ 5,366</u>	<u>\$ 123,448</u>

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 ("Japanese GAAP"), 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 Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance 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 for 2000 and shareholders' equity for 2001 and 2000 have been prepared for the purpose of inclusion in the accompanying non-consolidated financial statements, although such statements were not required for domestic purposes and were not filed with the regulatory authorities.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers, using the prevailing exchange rate at February 28, 2001, which was ¥116 to US\$1.00. The convenience translation should not be construed as representation 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.

#### *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.

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**(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.

**(f) Software Costs**

In accordance with the provisional rule of the JICPA's Accounting Committee Report No. 12, Practical Guidance for Accounting for Research and Development Costs, etc. (the "Report"), the Company accounts for software which was included in long-term prepaid expenses in investments and other assets in the same manner in 2001 as in 2000. Pursuant to the Report, however, the Company included software costs in intangible assets in 2001 and depreciated them using the straight-line method over the estimated useful lives (five years). The amount for 2000 has been reclassified to conform to the 2001 presentation.

**(g) Transfer of Installment Accounts Receivable**

The Company finances operating funds by transferring installment accounts receivable to investors without recourse. During the year ended February 28, 2001, the Company transferred installment accounts receivable to investors through a trust and banking company in the amount of ¥3,402 million (\$29,328 thousand), and the difference between the face value of installment accounts receivable and cash proceeds amounting to ¥1 million (\$9 thousand) was charged to income.

**(h) 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 Japanese GAAP.

**(i) 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. 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 was 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, 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.

**(j) 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.

The Company's pension fund assets as of February 28, 2001 and February 29, 2000, amounted to ¥171 million (\$1,474 thousand) and ¥228 million, respectively.

The Company has an unfunded retirement and termination allowance plan for directors and corporate auditors. The amount required under the plan have been fully accrued.

The provision charged to income for retirement allowances and pension costs amounted to ¥147 million (\$1,267 thousand) and ¥112 million for the years ended February 28, 2001 and February 29, 2000, respectively.

Unamortized prior service costs amounted to ¥191 million (\$1,647 thousand) at February 28, 2001.

**(k) Common Stock Issuance Costs**

Common stock issuance costs are charged to income as incurred.

**(l) Bond Issuance Costs**

Bond issuance costs are charged to income as incurred.

**(m) 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.

#### (n) 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.

#### (o) Reclassifications

Certain prior year amounts have been reclassified to conform to the 2001 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

Additionally, in accordance with the Standards for Preparation of Consolidated Cash Flow Statements, etc. (the "New Standards"), effective from the year ended February 28, 2001, the Company is required to prepare non-consolidated cash flow statements. The prior year's non-consolidated cash flow statement, which was prepared for readers outside Japan although such statement was not required, has been restated to conform to the 2001 presentation.

### 3. Investments in Securities

Details of investments as of February 28, 2001 and February 29, 2000, are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2001		2000		2001	
	Book value	Market value	Book value	Market value	Book value	Market value
<b>Investments in securities:</b>						
Quoted equity securities .....	¥ 126	¥ 144	¥ 127	¥ 162	\$ 1,086	\$ 1,241

This information excludes unlisted equity securities.

### 4. Installment Accounts Receivable

Installment accounts receivable as of February 28, 2001, and February 29, 2000, are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2001	2000	2001	
	¥	¥	\$	\$
Credit cards .....	28,912	26,109	249,241	
Loans .....	93,493	86,996	805,975	
Agency services .....	3,052	3,318	26,310	
Other .....	195	181	1,681	
	<u>¥ 125,652</u>	<u>¥ 116,604</u>	<u>\$ 1,083,207</u>	

The volume of new contracts and realized operating revenues by type of contract for the years ended February 28, 2001, and February 29, 2000, are summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	2001		2000		2001	
	Volume of new contracts	Realized operating revenues	Volume of new contracts	Realized operating revenues	Volume of new contracts	Realized operating revenues
Credit cards .....	¥ 145,844	¥ 3,898	¥ 127,515	¥ 3,470	\$ 1,257,276	\$ 33,603
Loans .....	108,524	22,752	101,012	20,211	935,552	196,139
Agency services .....	83,734	1,077	84,189	1,105	721,845	9,284
Other .....	2,902	2,699	2,825	2,545	25,017	23,267
	<u>¥ 341,004</u>	<u>¥ 30,426</u>	<u>¥ 315,541</u>	<u>¥ 27,331</u>	<u>\$ 2,939,690</u>	<u>\$ 262,293</u>

The amounts of loans which are disclosed in accordance with the enactment of the Non-bank Bond-issuing Law in May 1999 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2001	2001	2001	
	¥	¥	\$	\$
Loans to bankrupt borrowers .....	387		3,336	
Delinquent loans .....	1,731		14,922	
Delinquent loans past three months or more .....	699		6,026	
Restructured loans .....	989		8,526	

Loans to bankrupt borrowers are loans under declaration of bankruptcy, reconstruction and similar proceedings and in addition, interest is not accrued as income since the principal or interest on such loans is unlikely to be recovered in view of the considerable delay in payment of the principal or interest, or other circumstances.

Delinquent loans are loans for which interest is not accrued as income for the same reasons as above, and do not include loans to bankrupt borrowers and the loans for which interest payments have been postponed with the object of reconstructing and supporting the borrowers.

Delinquent loans past three months or more are loans which are delinquent for three months or more from the due date of interest or principal under the terms of the related loans agreements and do not include loans to bankrupt borrowers and delinquent loans, as described above.

Restructured loans are loans for which certain concessions to borrowers, such as postponement of interest payments, were made with the object of encouraging repayment, and do not include loans to bankrupt borrowers, delinquent loans and delinquent loans past three months or more, as described above.

## 5. Provision for Doubtful Receivables and Loan Losses

Provision for doubtful receivables and loan losses for the years ended February 28, 2001 and February 29, 2000, consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Provision for doubtful receivables .....	¥ 3,099	¥ 2,980	\$ 26,716
Loan losses .....	358	13	3,086
	<u>¥ 3,457</u>	<u>¥ 2,993</u>	<u>\$ 29,802</u>

Recoveries of doubtful receivables are included in "Other expenses" in the amounts of ¥99 million (\$853 thousand) and ¥89 million for the years ended February 28, 2001 and February 29, 2000, 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 28, 2001, and February 29, 2000, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
1.31% to 2.99% loans from banks, due in installments through 2004			
– secured .....	¥ 11,813	¥ 9,946	\$ 101,836
– unsecured.....	37,995	33,536	327,543
1.2% to 2.3% loans from banks, due on various dates through 2003			
– secured .....	—	100	—
– unsecured.....	3,000	3,400	25,862
1.7% to 3.0% loans from insurance companies, due in installments through 2004			
– secured .....	3,319	4,990	28,612
– unsecured.....	960	1,405	8,276
2.05% loans from a subsidiary, due on various dates through 2001			
– unsecured.....	35	35	302
1.5% bonds due in 2003 .....	5,000	—	43,103
1.7% bonds with warrants due in 2004.....	196	—	1,690
Total .....	<u>62,318</u>	53,412	<u>537,224</u>
Less: Current portion.....	(19,595)	(17,190)	(168,922)
	<u>¥ 42,723</u>	<u>¥ 36,222</u>	<u>\$ 368,302</u>

The annual maturities of long-term debt subsequent to February 28, 2002, are as follows:

Fiscal Year	Millions of yen	Thousands of U.S. dollars
2003 .....	¥ 18,115	\$ 156,164
2004 .....	16,653	143,560
2005 .....	5,778	49,811
2006 .....	2,177	18,767
	<u>¥ 42,723</u>	<u>\$ 368,302</u>

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 28, 2001, and February 29, 2000, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Installment accounts receivable.....	¥ 17,182	¥ 16,890	\$ 148,121

## 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 contracts of the Company outstanding as of February 28, 2001 and February 29, 2000, are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2001			2000			2001		
	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)
<b>Interest rate swaps:</b>									
Receive floating/ pay fixed.....									
Receive floating/ pay floating .....	¥ 24,788	¥ 20,047	¥ (571)	¥ 15,095	¥ 12,288	¥ (345)	\$ 213,690	\$ 172,819	\$ (4,922)
	3,334	—	(22)	3,667	3,334	(48)	28,741	—	(190)
	¥ 28,122	¥ 20,047	¥ (593)	¥ 18,762	¥ 15,622	¥ (393)	\$ 242,431	\$ 172,819	\$ (5,112)

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 42% for the years ended February 28, 2001 and February 29, 2000.

Significant components of the Company's deferred tax assets and liabilities as of February 28, 2001 and February 29, 2000, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
<b>Deferred tax assets:</b>			
Enterprise taxes, etc.....	¥ 135	¥ 175	\$ 1,164
Accounts receivable.....	76	57	655
Retirement benefits for directors.....	74	56	638
Allowance for doubtful receivables.....	87	47	750
Other.....	59	38	508
Total deferred tax assets.....	¥ 431	¥ 373	\$ 3,715
<b>Deferred tax liabilities:</b>			
Reserve for special depreciation.....	¥ 250	—	\$ 2,155
Total deferred tax liabilities.....	250	—	2,155
Net deferred tax assets.....	¥ 181	¥ 373	\$ 1,560



## 9. Lease Transactions

Information relating to finance leases of the Company, as lessor, as of February 28, 2001, and February 29, 2000, for the years then ended are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Acquisition cost .....	¥ 329	¥ 498	\$ 2,836
Accumulated depreciation .....	(247)	(361)	(2,129)
Book value .....	¥ 82	¥ 137	\$ 707
<b>Present value of future minimum lease payments due from customers:</b>			
Due within one year .....	¥ 44	¥ 60	\$ 379
Due after one year .....	50	88	431
	¥ 94	¥ 148	\$ 810
Rental revenues .....	¥ 99	¥ 183	\$ 853
Depreciation expense .....	54	98	466
Rental revenues attributable to financing income .....	11	23	95

Information relating to non-capitalized finance leases of the Company, as lessee, as of February 28, 2001 and February 29, 2000, for the years then ended is as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Acquisition cost .....	¥ 1,632	¥ 1,568	\$ 14,069
Accumulated depreciation .....	(1,205)	(887)	(10,388)
Book value .....	¥ 427	¥ 681	\$ 3,681
<b>Present value of future minimum lease payments:</b>			
Due within one year .....	¥ 256	¥ 303	\$ 2,207
Due after one year .....	167	393	1,440
	¥ 423	¥ 696	\$ 3,647
Lease payments .....	¥ 324	¥ 335	\$ 2,793
Depreciation expense, if capitalized .....	307	316	2,647
Interest expense, if capitalized .....	18	28	155

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

## 10. Related Party Transactions

Significant related party transactions of the Company as of February 28, 2001, and for the year then ended, are summarized as follows:

Name of related party	Description of transaction and balances	Millions of yen	Thousands of U.S. dollars
MYCAL Coporation	Volume of new contracts		
	Credit cards .....	¥ 68,788	\$ 593,000
	Operating revenue		
	Credit cards .....	1,274	10,983
	Lease operations .....	1	9
	Accounts payable .....	11,953	103,043
DAC VIVRE Co., Ltd.	Volume of new contracts		
	Credit cards .....	¥ 6,938	\$ 59,810
	Operating revenue		
	Credit cards .....	155	1,336
	Accounts payable .....	1,821	15,698

## 11. 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 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 this stock split.

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 net of stock issuance costs, ¥4,814 million was credited to common stock and the remaining ¥4,812 million to additional paid-in capital.

On April 20, 2000, the Company made a stock split to shareholders of record as of February 29, 2000, of 2,761,838 shares in the ratio of 1.1 shares for each one share held. The Company's stated capital was not affected by this stock split.

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.

## 12. Subsequent Event

On April 18, 2001, a takeover bid by Sanyo Shinpan Finance Co., Ltd. for common stock of the Company was completed. MYCAL Corporation approved this takeover bid and as a result, Sanyo Shinpan Finance Co., Ltd. acquired 15,494,000 shares which are equivalent to 51.0% of the Company on April 25, 2001. Thereby, the Company became a subsidiary of Sanyo Shinpan Finance Co., Ltd.

## 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 28, 2001 and February 29, 2000, 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 28, 2001 and February 29, 2000, 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 as noted in the following paragraph.

As explained in Note 2 (f), in the year ended February 28, 2001, MYCAL CARD INC. prospectively adopted new Japanese accounting standards for software costs.

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 22, 2001



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

Masakazu Shiiki

## President

Takashi Takahashi\*

## Vice President

Eiji Fujita\*

## Directors

Akihiro Ono

Masao Yosomiya

Masayasu Saki

Ryohei Shiota

## Statutory Auditor

Teruaki Fujii

## Auditors

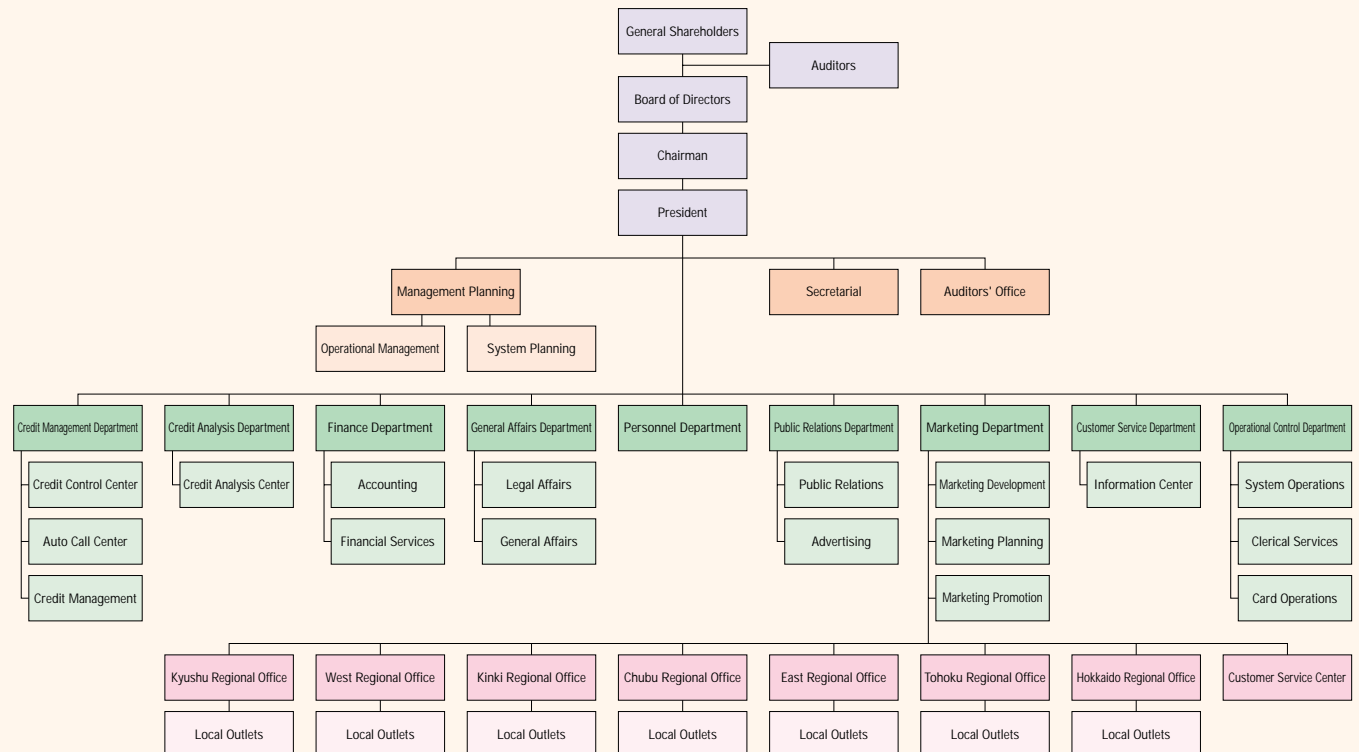
Shigeto Okamoto

Seiichi Nishitani

Toshio Minoura

\*Representative Director

# Organizational Chart



## Corporate Data

<b>Name</b>	MYCAL CARD INC.
<b>Representative Directors</b>	Takashi Takahashi, President Eiji Fujita, Vice President
<b>Headquarters</b>	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
<b>Tokyo Office</b>	3F, Furointou Mita Bldg., 2-14-5 Mita, Minato-ku, Tokyo 108-0073, Japan Tel: +81-3-5441-3451 Fax: +81-3-5441-3453
<b>Business Profile</b>	<ul style="list-style-type: none"> <li>• Credit card service and factoring business</li> <li>• Consumer loan services</li> <li>• Life insurance policy sales and non-life insurance agency services</li> <li>• General-purpose leasing</li> <li>• Travel agency services</li> </ul>
<b>Established</b>	May 25, 1982
<b>Capital</b>	¥11,024.24 million*
<b>Major Stockholders*</b>	<ul style="list-style-type: none"> <li>• MYCAL Corporation</li> <li>• The Dai-ichi Kangyo Bank, Ltd.</li> <li>• The Mizuho Trust &amp; Banking Co., Ltd.</li> <li>• The Chase Manhattan Bank NA, London</li> <li>• Japan Trustee Services Bank, Ltd.</li> </ul>
<b>Settlement Date</b>	End of February (mid-term settlement in August)
<b>Operating Revenues</b>	¥30,426 million*
<b>Cardholders</b>	7.09 million*
<b>Number of Outlets</b> (total of regional offices and staffed outlets)	74**
<b>Shares Authorized</b>	80,000,000*
<b>Shares Issued</b>	30,382,222*
<b>Number of Stockholders</b>	8,488*
<b>Bankers</b>	<ul style="list-style-type: none"> <li>• The Dai-ichi Kangyo Bank, Ltd.</li> <li>• The Fuji Bank, Ltd.</li> <li>• The Sanwa Bank, Ltd.</li> <li>• The Industrial Bank of Japan, Limited</li> <li>• The Norinchukin Bank</li> <li>• The Sumitomo Trust and Banking Co., Ltd.</li> <li>• The Bank of Tokyo-Mitsubishi, Ltd.</li> <li>• The Asahi Bank, Ltd.</li> </ul>
<b>Number of Employees</b>	541 (185 males, 356 females)*

(as of May 22, 2001, except \*February 28, 2001, and \*\*March 31, 2001)

# MYCAL CARD INC.

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