

Annual Report 2002

Doing today what we imagined 10 years ago
Imagining today what we'll be doing in 10 years' time



Profile

Our company was established in 1982 as MYCAL CARD Inc., a credit-card company within the MYCAL Group. Since then we have served our customer base, consisting mostly of consumers frequenting MYCAL Group retail outlets, by responding swiftly to their needs and offering a varied range of services. In April 2001, Sanyo Shinpan Finance Co., Ltd., became our new parent company.

On the basis of comprehensive business agreements, the credit-card business of the MYCAL Group remained entrusted to us in a continuation of the close cooperative relationship enjoyed so far. At the same time, we set about building a strong partnership with Sanyo Shinpan Finance and creating new services. In September 2001, however, we were faced with an unexpected development in the failure of MYCAL Corporation.

Our response was to signal a fresh start in our corporate career by changing our name, from December 10, 2001, to POCKET CARD CO., LTD. We chose this name to encapsulate what we feel are the ideal qualities of a retailer-affiliated credit-card company: being close to our customers, going with them wherever they go, and being simple to use and dependable. Our corporate renaming represents the first step in a determined process of renewal from which we will emerge as an enterprise fully in tune with the new era.

Our task now, guided by our corporate slogan *Birth of the POCKET CARD — Business Creation*, is to differentiate ourselves from other firms in the industry by transcending the limitations of a major retailer-affiliated credit-card company and creating a new *21st-century business model*. Valuing our continued relationship with former MYCAL customers, we will at the same time seek to win new customers through our partnerships with retail enterprises and to expand into financial markets. We are thus committed to active efforts to build a solid base for future business.

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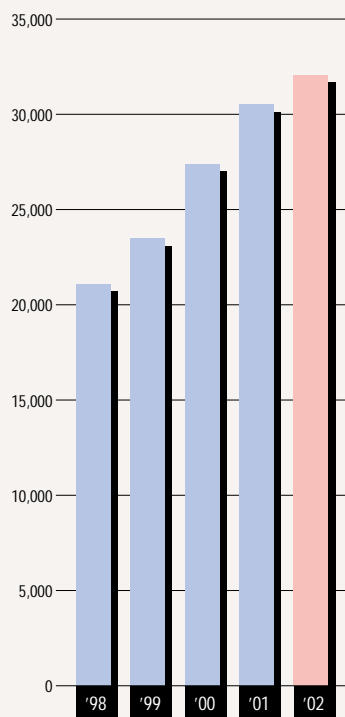
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Financial Highlights

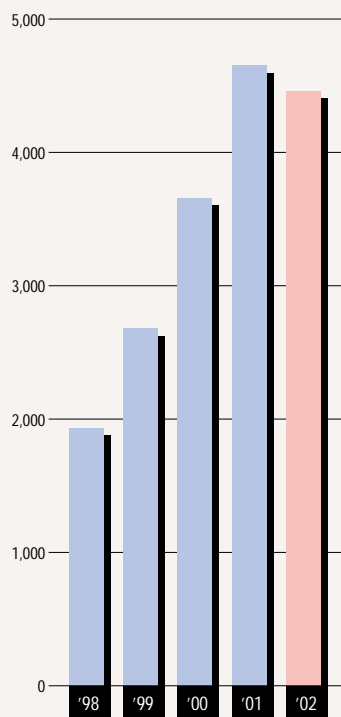
	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
For the Year:			
Operating revenues	¥ 31,960	¥ 30,426	\$ 238,507
Net income	4,446	4,635	33,179
At Year-end:			
Shareholders' equity	39,664	36,428	296,000
Total assets.....	139,751	144,893	1,042,918
Per Share:			
	Yen		U.S. dollars
Net income	¥ 146.34	¥ 154.50	\$ 1.09
Cash dividends.....	30.00	35.00	0.22

- 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 ¥134 to US\$1.00.
2. Net income per share is calculated based on the weighted-average number of shares outstanding during each term.

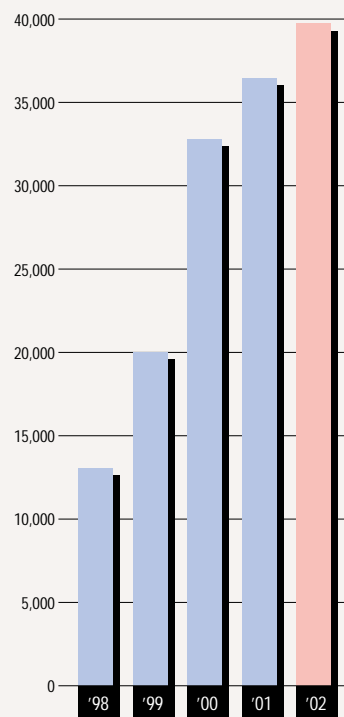
Operating Revenues
(Millions of yen)



Net Income
(Millions of yen)



Shareholders' Equity
(Millions of yen)



To Our Shareholders



President and CEO
Yoshiyuki Miwa

Allow me to introduce myself, Yoshiyuki Miwa, appointed president and CEO at the ordinary general shareholders' meeting of May 2002. Following my appointment, I adopted as our corporate slogan *Birth of the POCKET CARD – Business Creation*. I am committed to taking rapid action to reform management, transform attitudes among individual employees, and implement a new business model.

In the fiscal year to February 28, 2002, the deflationary tendency in the Japanese economy was accentuated by a general worldwide recession and the continuing erosion of the domestic manufacturing base. Stagnant capital markets and the malaise in the banking system contributed to a mood of insecurity. The result was a relentless downward slide in the economy.

For the credit-services industry, although declining corporate performance put personal finances under pressure, enhanced convenience and services in the credit-card sector led to healthy growth in credit-card transaction volumes. Nevertheless, there were several negative factors at work in our environment, including increasing levels of personal bankruptcy due to multiple debt and a rise in card-related crime.

September 2001 brought an unexpected development with the collapse of MYCAL Corporation, formerly our major partner in the retail sector. The impact on our business meant a slight fall in the number of new cardholders and in the transaction volume generated by retail purchases, but the highly profitable cash-loan business remained unaffected. We were thus able to post positive developments in operating revenues, which rose 5.0% from the previous year to ¥31,960 million yen, and in

operating income, which increased 1.9% to ¥9,493 million. With two items written down as extraordinary losses (¥513 million of expenses relating to the company name change; and ¥377 million arising from amortization of an unrecognized transition obligation due to a change in the method of accounting for retirement benefits), net income, at ¥4,446 million, failed to reflect this growth, but the extent of the decline in this item was held to 4.1% or ¥189 million.

Forecasts call for a further toughening of the business climate and continuing stagnation of consumer spending. In anticipation, we are taking steps to substantially reform our market strategy, hitherto centered on our relationship with the MYCAL Group, so as to move beyond the limitations of a major retailer-affiliated credit-card company and lead the credit-services industry in actively designing and implementing a new *21st-century business model* as part of a strategy to secure continuing success in a challenging business climate.

Turning to specifics, first we intend to introduce management reform and effect a change in attitudes across the whole organization so as to rapidly achieve an operational style in which all employees are oriented toward serving the customer. In addition to enhancing services for existing MYCAL customers, we will be restructuring our customer retention program. Initiatives to recruit new customers, expand into new financial markets, and win long-term and sustained customer loyalty will also form part of the measures to secure a firm operational base.

Secondly, we have made it our goal to achieve a management style which will set a global standard. To this end we will be implementing a thoroughgoing program of measures to

differentiate our business from its competitors. These measures will for instance include reorienting POCKET CARD as a credit-card company tailored to women's lifestyles, marketing strategies with a strong regional focus, and measures to benefit from our position as the industry's most advanced credit-card company with 2.5 million multifunctional integrated-circuit cards in issue.

Thirdly, we will be targeting cost reductions to move quickly to a low-cost structure. All employees will participate in rethinking every aspect of corporate activity as we introduce paperless operation, set up core systems, and take other vigorous initiatives to transform our business into a low-cost operation. Alongside improvement of human resource productivity, this will allow us to emphasize the return of value to customers and shareholders.

At present, we have around 3.12 million cardholders; for the future, we have set a target of 10 million. We aim to achieve this as a member of the Sanyo Shinpan Group by pursuing our stated corporate philosophy of facilitating the chosen lifestyle of each of our customers and thereby realizing a *21st-century business model* capable of offering sophisticated and comprehensive financial services.

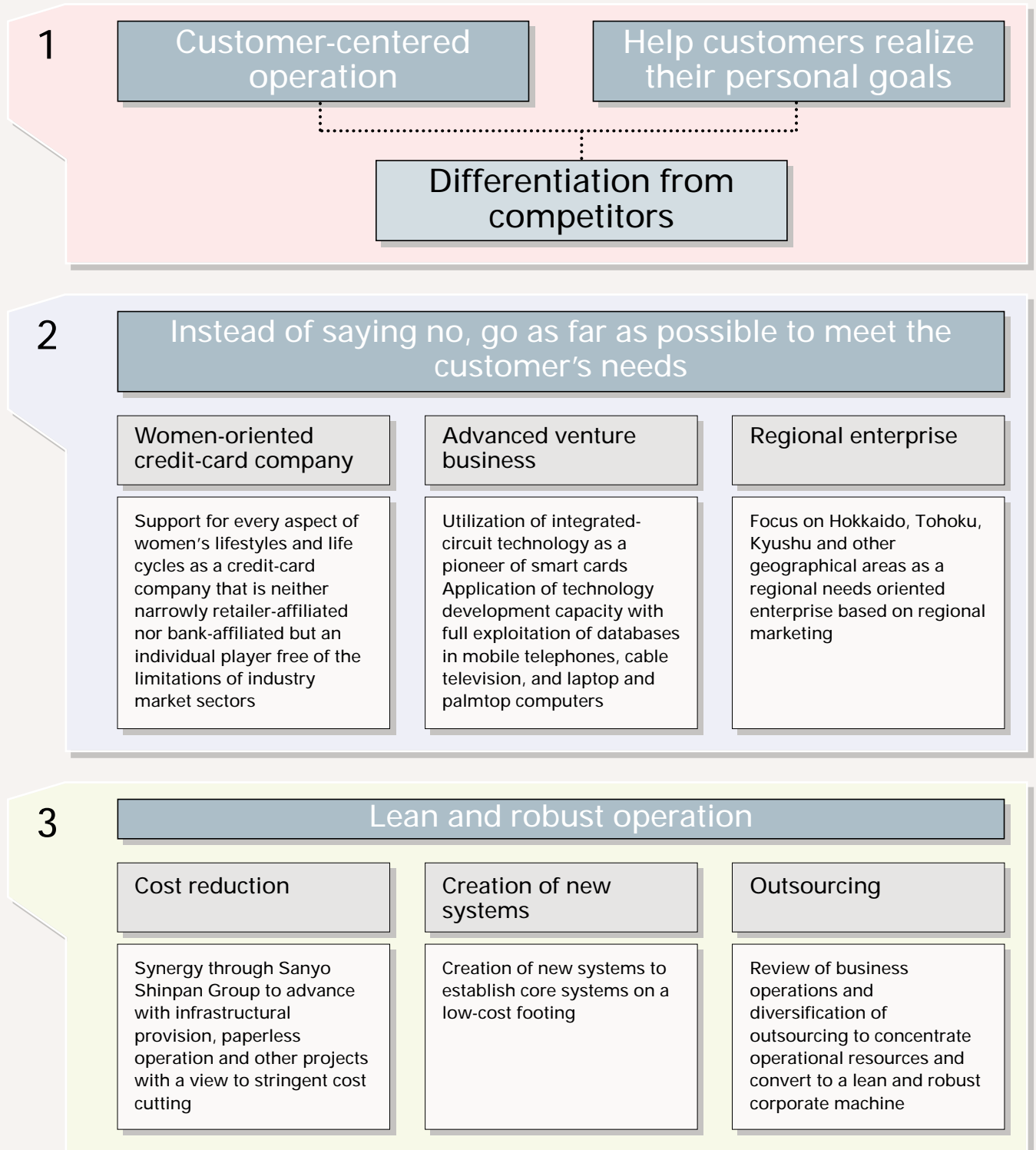
With the fresh impetus of our new corporate identity, we are confident of fulfilling the expectations of our shareholders.

May 21, 2002


Yoshiyuki Miwa
President and CEO

Birth of the POCKET CARD – Business Creation

POCKET CARD is committed to the challenge of implementing a new business model as a credit-card company. Based around three main concepts, this process will take us through a major transformation.



Financial Section

Five-year Summary

	Millions of yen					Thousands of U.S. dollars
	2002	2001	2000	1999	1998	2002
For the Year:						
Volume of new contracts	¥ 346,047	¥ 341,004	¥ 315,541	¥ 278,396	¥ 259,928	\$ 2,582,440
Operating revenues	31,960	30,426	27,331	23,400	21,043	238,507
Financial cost, net	1,441	1,338	1,357	1,461	1,314	10,754
Other operating expenses.....	21,027	19,773	18,547	15,975	15,212	156,918
Operating income	9,493	9,315	7,427	5,964	4,517	70,843
Income before income taxes.....	7,762	8,076	7,079	5,790	4,351	57,925
Net income	4,446	4,635	3,647	2,666	1,927	33,179
Return on equity (%).....	11.7	13.4	13.8	16.1	17.9	—
At Year-end:						
Working capital	¥ 68,820	¥ 73,254	¥ 62,344	¥ 56,674	¥ 46,053	\$ 513,582
Installment accounts receivable	118,069	125,652	116,604	101,068	91,941	881,112
Allowance for doubtful receivables.....	(3,748)	(3,099)	(2,980)	(2,560)	(1,980)	(27,970)
Short-term borrowings and long-term debt.....	74,354	74,318	68,912	71,218	69,575	554,881
Shareholders' equity	39,664	36,428	32,768	19,978	13,051	296,000
Total assets.....	139,751	144,893	127,398	116,575	105,539	1,042,918
Shareholders' equity ratio (%).....	28.4	25.1	25.7	17.1	12.4	—
	Yen					U.S. dollars
Per Share:						
Net income	¥ 146.34	¥ 154.50	¥ 126.22	¥ 102.94	¥ 85.26	\$ 1.09
Shareholders' equity	1,305.62	1,199.08	1,078.60	708.93	506.64	9.74
Cash dividends.....	30.00	35.00	30.00	32.50	22.50	0.22

- 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

In the period ended February 28, 2002, the deflationary tendency in the Japanese economy was progressively reinforced by a general worldwide recession and the continuing erosion of the domestic manufacturing base. Stagnation in capital markets and the malaise in the banking industry contributed to the mood of insecurity. The result was a relentless cycle of worsening business conditions.

In the credit-services industry where POCKET CARD is active, despite the pressure on personal finances exerted by the deterioration in corporate performance, enhancements in the convenience of credit-card use and in related services led to a firm expansion in credit-card transaction volumes. The presence however of negative factors, including an increase in personal bankruptcy due to multiple debt and a rise in card-related crime, left no room for complacency in the industry.

It was against this background that the Company joined the Sanyo Shinpan Group in April 2001 and has worked since to strengthen its operational base. In September 2001 came the unexpected failure of the Company's former major partner, MYCAL Corporation. The following December, the Company made a fresh start toward further business expansion when it changed its name from MYCAL CARD INC. to the present POCKET CARD CO., LTD.

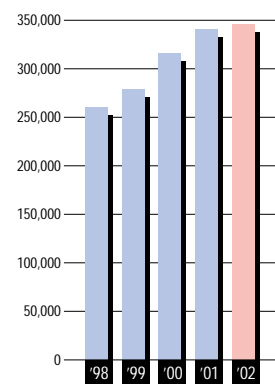
Regarding sales performance, MYCAL Group retailers such as SATY and VIVRE, which form an important part of the Company's operating base, experienced a short period of uncertainty following the failure of MYCAL Corporation. Recognizing however that MYCAL cardholders remained a valued customer group, the recruitment of MYCAL cardholders continued as before and turned in a solid performance.

As part of an initiative to expand the range of co-branded card schemes and thereby strengthen our sales base, the Company entered into joint projects with medical care institutions, including plastic-surgery and eye clinics, to issue credit cards doubling as medical appointment cards (Venus Card, *i-i* Card); similar joint projects were started with local health and fitness clubs and spas, as well as with major regional retailers (Vivre Club Card, Wall Card, Hope Town Card). At the same time as the company name change, a Tokyo Headquarters was established and a new Sales Division created to put in place a system which would allow a full range of activities to expand the range of co-sponsored cards.

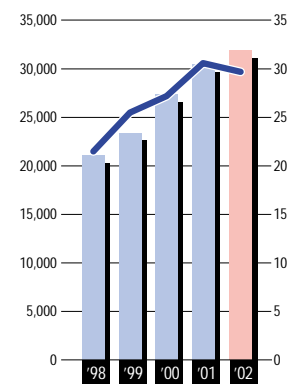
Regarding enhanced convenience of credit-card use, as a result of efforts to expand the number of retail outlets available to POCKET CARD cardholders, the number of participating retail outlets at the end of the period had grown by 24,000 over the end of the previous period to reach 285,000. Energies were also devoted to expanding the network of cash dispensers and automated teller machines accepting Company-sponsored cards, which expanded by some 8,000 to around 88,000. These strategies helped boost the number of new card issues, which had reached 430,000 at the end of the period to bring the total number of cardholders to 3.12 million.

The total volume of new contracts in the period, at ¥346,047 million, showed a slight increase of 1.5% over the previous year. This figure breaks down into ¥133,732 million (38.7% of the total) in the credit-card business (8.3% decrease), ¥126,677 million (36.6%) in the loan business (16.7% increase), and ¥82,510 million (23.8%) in agency services (1.5% decrease). Other business accounted for 0.9% of the total. The cause of the decrease in the credit-card business was the slight impact on the Company's business of the failure of MYCAL Corporation in September 2001.

Volume of New Contracts
(Millions of yen)

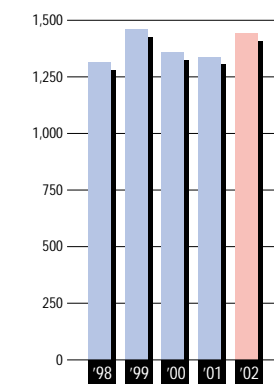


Operating Revenues
(Millions of yen)

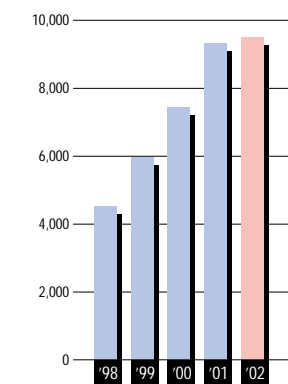


— Operating Income to Revenues Ratio (%)

Financial Cost, Net
(Millions of yen)



Operating Income
(Millions of yen)



Income analysis

Operating revenues at ¥31,960 million increased by 5.0% over the previous year. Operating revenues in the credit-card business, accounting for 10.9% of the total, decreased 10.3%; in the loan business, 76.2% of the total, there was a 7.0% increase; and in the agency services business, 3.3% of the total, a decrease of 2.8%.

Although general and administrative expenses rose 2.7% to ¥16,760 million, as a proportion of operating revenues they fell by 1.2 percentage points to 52.4%. This was thanks to reductions in total staff expenses achieved by increased operational efficiency, coupled with reduced depreciation expenses, which together outweighed increases in the sales expense account and in control and upkeep expenses. Operating expenses rose 6.4% to ¥22,467 million, while operating income advanced a modest 1.9% to ¥9,493 million, representing thus 29.7% of operating revenues, a slight fall of 0.9 percentage points.

Two items that were booked as extraordinary losses were the ¥513 million expense relating to the company name change and the ¥377 million arising from amortization of an unrecognized transition obligation due to the change in accounting for retirement benefits. As a result, net income for the period decreased 4.1% to ¥4,446 million.

Assets

Total assets fell by 3.5% to ¥139,751 million. Of this total, current assets accounted for ¥131,861 million and fixed assets for ¥7,890 million. The fixed assets ratio, however, edged up 2.5 percentage points to 19.9%.

Cash flow analysis and financial position

Cash flow from operating activities

Although income before income taxes remained at ¥7,762 million, revenues from cash loans expanded encouragingly so that loans receivable increased substantially to ¥15,443 million and accounting for most of the ¥14,733 million net cash used in operating activities.

Cash flow from investment activities

The main investment items were the acquisition of marketable securities, the introduction of a screening system, and purchases of property and equipment relating to additions to and development of core systems amounting to ¥233 million. Purchases of intangible assets accounted for ¥701 million. Net cash used in investing activities increased 12.7% over the previous period to ¥2,030 million.

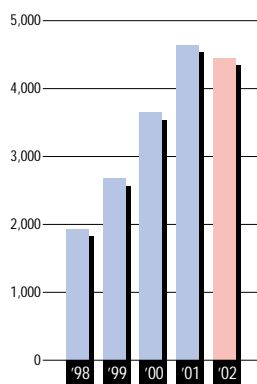
Cash flows from financing activities

Efforts were made to diversify sources of finance with emphasis on direct procurement. Proceeds from liquidation of loans receivable amounted to ¥20,000 million while proceeds from bond issuance came to ¥3,000 million. Net cash provided by financing activities totaled ¥15,909 million. Cash and cash equivalents declined by 5.9% from the previous period to ¥13,471 million.

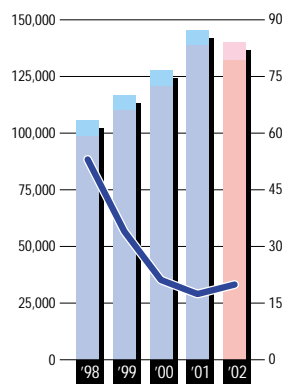
Share data

With the number of shares outstanding at the end of the period standing at 30,380,222 and total dividend expenses of ¥911 million, dividend propensity fell 2.4 percentage points from the previous year to 20.5%. Shareholders' equity increased 8.9% to ¥39,664 million. Shareholders' equity ratio increased 3.3 percentage points to 28.4% while return on equity retreated 1.7 percentage points to 11.7%.

Net Income
(Millions of yen)

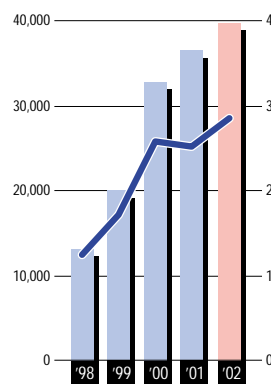


Total Assets
(Millions of yen)



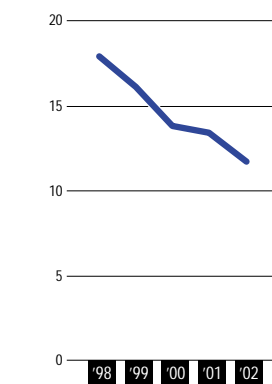
■ Fixed Assets (Millions of yen)
■ Current Assets (Millions of yen)
— Fixed Assets Ratio (%)

Shareholders' Equity
(Millions of yen)



— Equity Ratio (%)

Return on Equity
(%)



Non-consolidated Balance Sheets

As of February 28, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Current Assets:			
Cash and cash equivalents.....	¥ 13,471	¥ 14,320	\$ 100,530
Installment accounts receivable (Notes 4 and 6)	118,069	125,652	881,112
Allowance for doubtful receivables (Note 5)	(3,460)	(3,090)	(25,821)
Deferred income taxes (Note 10).....	587	325	4,381
Prepaid expenses and other current assets.....	3,194	1,349	23,836
Total Current Assets.....	<u>131,861</u>	<u>138,556</u>	<u>984,038</u>
 Property and Equipment:			
Land	1,304	1,304	9,731
Buildings and structures	1,844	1,882	13,761
Equipment and fixtures	1,940	1,932	14,478
Equipment for lease.....	52	329	388
Accumulated depreciation	(2,254)	(2,165)	(16,821)
Total Property and Equipment, net.....	<u>2,886</u>	<u>3,282</u>	<u>21,537</u>
 Intangible Assets:			
Software	1,769	1,631	13,202
Other	98	98	731
Total Intangible Assets	<u>1,867</u>	<u>1,729</u>	<u>13,933</u>
 Investments and Other Assets:			
Investments in securities (Note 3).....	1,377	243	10,276
Long-term prepaid expenses	679	500	5,067
Deferred income taxes (Note 10).....	111	—	828
Other	1,258	592	9,388
Allowance for doubtful receivables (Note 5)	(288)	(9)	(2,149)
Total Investments and Other Assets.....	<u>3,137</u>	<u>1,326</u>	<u>23,410</u>
	<u>¥ 139,751</u>	<u>¥ 144,893</u>	<u>\$ 1,042,918</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)
	2002	2001	2002
Current Liabilities:			
Short-term borrowings (Note 6)	¥ 17,850	¥ 12,000	\$ 133,209
Current portion of long-term debt (Note 6)	19,934	19,595	148,761
Commercial paper	7,500	10,000	55,970
Accounts payable –			
Trade	14,198	20,769	105,955
Other	668	747	4,985
Accrued income taxes	2,200	1,529	16,418
Accrued expenses and other current liabilities	691	662	5,157
Total Current Liabilities	<u>63,041</u>	<u>65,302</u>	<u>470,455</u>
Long-term Liabilities:			
Long-term debt (Note 6)	36,570	42,723	272,910
Estimated termination and retirement allowances	—	283	—
Allowance for severance and pension benefits (Note 7)	463	—	3,455
Deferred income taxes (Note 10)	—	144	—
Other	13	13	98
Total Long-term Liabilities	<u>37,046</u>	<u>43,163</u>	<u>276,463</u>
Contingent Liabilities (Note 12):			
Shareholders' Equity (Note 14):			
Common stock,			
Authorized – 80,000,000 shares			
Outstanding – 30,380,222 shares in 2002			
and in 2001	11,020	11,020	82,239
Additional paid-in capital	12,330	12,330	92,015
Legal reserve	510	390	3,806
Retained earnings	15,817	12,688	118,037
Net unrealized holding losses on securities	(12)	—	(90)
Treasury stock at cost	(1)	—	(7)
Total Shareholders' Equity	<u>39,664</u>	<u>36,428</u>	<u>296,000</u>
	<u>¥ 139,751</u>	<u>¥ 144,893</u>	<u>\$ 1,042,918</u>

Non-consolidated Statements of Income

For the years ended February 28, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Operating Revenues:			
Financing and administration fees	¥ 30,993	¥ 29,504	\$ 231,291
Other revenue	967	922	7,216
	<u>31,960</u>	<u>30,426</u>	<u>238,507</u>
Operating Expenses:			
Financial cost, net	1,441	1,338	10,754
General and administrative expenses.....	16,760	16,316	125,074
Provision for doubtful receivables and loan losses (Note 5)	4,266	3,457	31,836
	<u>22,467</u>	<u>21,111</u>	<u>167,665</u>
Operating income	9,493	9,315	70,843
Other Expenses:			
Loss on disposal and sale of property and equipment	65	1,212	485
Expense of company name change	513	—	3,828
Amortization of unrecognized transition obligation due to change in accounting for retirement benefits	377	—	2,814
Other, net.....	776	27	5,791
	<u>1,731</u>	<u>1,239</u>	<u>12,918</u>
Income before income taxes	7,762	8,076	57,925
Provision for income taxes (Note 10)			
Current	3,824	3,250	28,537
Deferred	(508)	191	(3,791)
Net income	¥ 4,446	¥ 4,635	\$ 33,179
Per Share of Common Stock:			
	Yen		U.S. dollars
Net income	¥ 146.34	¥ 154.50	\$ 1.09
Cash dividends.....	30.00	35.00	0.22

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, 2002 and 2001

	Millions of yen						
	Number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Net unrealized holding gains on securities	Treasury stock at cost
Balance at February 29, 2000	27,618,384	¥ 11,020	¥ 12,330	¥ 293	¥ 9,125	¥ —	¥ —
Net income	—	—	—	—	4,635	—	—
Appropriations:							
Cash dividends paid.....							
Directors' and corporate auditors' bonuses	—	—	—	—	(870)	—	—
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	¥ —	¥ —
Net income	—	—	—	—	4,446	—	—
Adoption of new accounting standard for financial instruments ...	—	—	—	—	—	(12)	—
Treasury stock	—	—	—	—	—	—	(1)
Appropriations:							
Cash dividends paid.....	—	—	—	—	(1,063)	—	—
Directors' and corporate auditors' bonuses	—	—	—	—	(134)	—	—
Transfer to legal reserve.....	—	—	—	120	(120)	—	—
Balance at February 28, 2002	30,380,222	¥ 11,020	¥ 12,330	¥ 510	¥ 15,817	¥ (12)	¥ (1)

	Thousands of U.S. dollars (Note 1)						
	Number of shares of common stock	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Net unrealized holding gains on securities	Treasury stock at cost
Balance at February 28, 2001	30,380,222	\$ 82,239	\$ 92,015	\$ 2,910	\$ 94,687	\$ —	\$ —
Net income	—	—	—	—	33,179	—	—
Adoption of new accounting standard for financial instruments ...	—	—	—	—	—	(90)	—
Treasury stock	—	—	—	—	—	—	(7)
Appropriations:							
Cash dividends paid.....	—	—	—	—	(7,933)	—	—
Directors' and corporate auditors' bonuses	—	—	—	—	(1,000)	—	—
Transfer to legal reserve.....	—	—	—	896	(896)	—	—
Balance at February 28, 2002	30,380,222	\$ 82,239	\$ 92,015	\$ 3,806	\$ 118,037	\$ (90)	\$ (7)

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, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Cash Flows from Operating Activities:			
Income before income taxes.....	¥ 7,762	¥ 8,076	\$ 57,925
Depreciation and amortization	1,106	1,198	8,254
Increase in provision for doubtful receivables.....	650	119	4,851
Decrease in estimated termination and retirement allowances	(106)	(1)	(791)
Increase in allowance for severance and pension benefits.....	463	—	3,455
Increase (Decrease) in directors' retirement allowances.....	(176)	42	(1,313)
Interest and dividend income	(15)	(7)	(112)
Interest expense.....	1,457	1,336	10,873
Loss on devaluation of investments in securities.....	70	—	522
Loss on disposal and sale of property and equipment	35	1,191	261
Decrease (Increase) in credit-card receivables.....	3,254	(2,820)	24,283
Increase in loans receivable.....	(15,443)	(6,214)	(115,246)
Increase in failed loans.....	(140)	—	(1,045)
Decrease (Increase) in supplies	77	(91)	575
Increase in advance money	(1,672)	—	(12,478)
Decrease in notes and accounts payable.....	(6,560)	(1,207)	(48,955)
Bonuses paid to directors and corporate auditors.....	(134)	(105)	(1,000)
Other, net.....	(721)	(234)	(5,380)
Subtotal	<u>(10,093)</u>	<u>1,283</u>	<u>(75,321)</u>
Interest and dividends received.....	15	7	112
Interest paid.....	(1,502)	(1,340)	(11,209)
Income tax paid.....	(3,153)	(3,693)	(23,530)
Net cash used in operating activities	<u>(14,733)</u>	<u>(3,743)</u>	<u>(109,948)</u>
Cash Flows from Investing Activities:			
Purchases of equipment for lease	(4)	(18)	(30)
Proceeds from sales of equipment for lease	83	23	620
Purchases of property and equipment.....	(233)	(1,281)	(1,739)
Proceeds from sales of property and equipment.....	—	298	—
Purchases of intangible assets	(701)	(807)	(5,231)
Proceeds from sales of investments in a subsidiary	50	—	373
Proceeds from sales of investments in securities.....	100	—	746
Purchases of investments in securities.....	(1,325)	(17)	(9,888)
Net cash used in investing activities.....	<u>(2,030)</u>	<u>(1,802)</u>	<u>(15,149)</u>
Cash Flows from Financing Activities:			
Increase (Decrease) in short-term borrowings, net	5,850	(3,500)	43,657
Increase (Decrease) in commercial paper, net	(2,500)	10,000	(18,657)
Proceeds from long-term debt.....	10,780	20,900	80,448
Repayment of long-term debt.....	(19,560)	(17,190)	(145,970)
Repayment of long-term debt from a subsidiary.....	(35)	—	(261)
Proceeds from bond issuance	3,000	5,196	22,388
Bond issuance costs	(22)	(39)	(164)
Proceeds from liquidation of loans receivable.....	20,000	—	149,254
Increase in guarantee money deposits with liquidation of loans receivable	(615)	—	(4,589)
Dividends paid	(988)	(870)	(7,373)
Proceeds from sales of common stock.....	10	29	75
Common stock acquired	(11)	(29)	(82)
Net cash provided by financing activities.....	<u>15,909</u>	<u>14,497</u>	<u>118,724</u>
Effect of exchange rate changes on cash and cash equivalents	5	2	37
Net increase (decrease) in cash and cash equivalents	<u>(849)</u>	<u>8,954</u>	<u>(6,336)</u>
Cash and cash equivalents at beginning of year	<u>14,320</u>	<u>5,366</u>	<u>106,866</u>
Cash and cash equivalents at end of year	<u>¥ 13,471</u>	<u>¥ 14,320</u>	<u>\$ 100,530</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

POCKET CARD CO., LTD. (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 and shareholders' equity for 2002 and 2001 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, 2002, which was ¥134 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 receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. Prior to March 1, 2001, long-term receivables and payable denominated in foreign

currencies were translated at historical rates.

Effective March 1, 2001, the Company adopted the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standards for Foreign Currency Translation" (the "Revised Accounting Standard"), issued by the Business Accounting Deliberation Council (BADC) on October 22, 1999. Under the Revised Accounting Standard, long-term receivables and payables denominated in foreign currencies are also translated into Japanese yen at the year-end rate.

The effect of adopting the Revised Accounting Standard on the non-consolidated statements of income was immaterial.

(c) Investments in Securities

Prior to March 1, 2001, investments in securities with listed market quotations were valued at the lower of average cost or market, as determined on an individual security basis. Investments in securities without listed market quotations were valued at average cost.

Effective March 1, 2001, the Company adopted the new Japanese accounting standard for financial instruments, "Opinion Concerning Establishment of Accounting Standards for Financial Instruments", issued by the BADC on January 22, 1999.

Upon applying the new accounting standard, all companies are required to examine the intent of holding each security and classify those securities as (a) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (b) equity securities issued by subsidiaries and affiliated companies, and (c) all other securities not classified in either of the above categories (hereafter, "available-for-sale securities").

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on the sale of such securities are computed using moving-average cost.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by subsidiaries and affiliated

companies is not readily available, such securities are written down to net asset value with a corresponding charge in the statements of income in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the following period.

As a result of adopting the new accounting standard for financial instruments, income before income taxes decreased by ¥23 million (\$172 thousand). Also, based on the examination of the intent of holding each security upon application of the new accounting standard on March 1, 2001, held-to-maturity debt securities and available-for-sale securities maturing within one year from the balance sheet date are included in current assets, and other securities are included in investments in securities. As a result, at March 1, 2001, there was no reclassification of securities in current assets and investments in securities compared with what would have been reported under the previous accounting policy.

(d) Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided at an amount sufficient to cover possible losses on the collection of receivables. For certain probable doubtful accounts the uncollectible amounts are estimated based on a review of the collectibility of individual receivables.

(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. Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Estimated useful lives are as follows:

Buildings	3-47 years
Machinery and equipment	3-20 years

(f) Software Costs

Software, included in intangible assets, is depreciated using the straight-line method over an estimated useful life of five years.

(g) Securitization of Installment Accounts Receivable

The Company finances operating funds by securitizing installment accounts receivable to investors without recourse. During the year ended February 28, 2002, the Company securitized installment accounts receivable to investors through a trust and banking company in the amount of ¥20,000 million (\$149,254 thousand).

(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 recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes. 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 those used for income tax purposes.

(j) Termination and Retirement Benefit Plans

The Company provides two types of post-employment benefit plans, one unfunded lump-sum payment plan and one funded non-contributory pension plan under which all eligible employees are entitled to benefits based on the level of wage and salary at the time of retirement or termination, length of service and certain other factors.

At February 28, 2001, the Company accrued liabilities for lump-sum severance and retirement payments equal to 40% of the amount required had all eligible employees voluntarily terminated their employment at the balance sheet date. The Company recognized pension expense when, and to the extent, payments were made to the pension plans.

Effective March 1, 2001, the Company adopted the new accounting standard, "Opinion on Setting Accounting Standards for Employees' Severance and Pension Benefits" (the "New Accounting Standard"), issued by the BADC on June 16, 1998.

Under the New Accounting Standard, the liability and expense for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company provided allowance for employees' severance and retirement benefits at February 28, 2002 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets, and the liabilities for severance and retirement benefits, both as of March 1, 2001 (the "net transition obligation"), amounted to ¥377 million (\$2,814 thousand), which was fully charged to income. Actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service lives commencing with the following period.

As a result of the adoption of the New Accounting Standard, in the year ended February 28, 2002, severance and retirement benefit expense decreased by ¥8 million (\$60 thousand), net transition obligation was ¥377 million (\$2,814 thousand), operating income increased by ¥8 million (\$60 thousand) and income before income taxes decreased by ¥369 million (\$2,754 thousand) compared with what would have been recorded under the previous accounting standard.

Following Ministry of Health, Labor and Welfare approval on February 26, 2002 for the dissolution of the Mycal Pension Fund, the Company was not required to recognize the projected benefit obligation as of February 28, 2002. Consequently, ¥892 million (\$6,657 thousand) of estimated termination and retirement allowance disused with dissolution offset the ¥913 million (\$6,813 thousand) from amortization of net transition obligation for the Mycal Pension Fund, and has been presented as included in amortization of net transition obligation.

The Company also had an unfunded retirement and termination allowance plan for directors and corporate auditors, with the amount required under the plan having been fully accrued. This plan was abolished, however, by resolution of the shareholders at a general shareholders' meeting held on May 21, 2001, and the accrued amounts fully paid to directors and corporate auditors.

(k) Bond Issuance Costs

Bond issuance costs are charged to income as incurred.

(l) 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. When common stock included a portion of the proceeds from shares issued at a price in excess of par value, no accounting recognition was made of stock splits.

Effective October 1, 2001, however, an amendment to the Japanese Commercial Code eliminated stated par value. See Note 14.

(m) 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.

(n) Derivative and Hedge Accounting

The new accounting standard for financial instruments, effective from the year ended February 28, 2002, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related

losses or gains on the hedged items are recognized.

If interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(o) Reclassifications

Certain prior year amounts have been reclassified to conform to the 2002 presentation.

Due to a change in the regulations relating to the presentation of treasury stock, the Company has presented treasury stock as a component of shareholders' equity from the year ended February 28, 2002. Treasury stock on other current assets in the year ended February 28, 2001 has not been reclassified.

3. Investments in Securities

(a) The following tables summarize acquisition cost and book value (fair value) of available-for-sale securities with available fair value as of February 28, 2002:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:						
Equity securities	¥ 11	¥ 13	¥ 2	\$ 82	\$ 97	\$ 15
Bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	¥ 11	¥ 13	¥ 2	\$ 82	\$ 97	\$ 15
Securities with book values not exceeding acquisition costs:						
Equity securities	¥ 870	¥ 847	¥ (23)	\$ 6,493	\$ 6,321	\$ (172)

(b) The following table summarizes book value of securities with no available fair value as of February 28, 2002:

	Millions of yen	Thousands of U.S. dollars
Available-for-sale securities:		
Unlisted equity securities	¥ 517	\$ 3,858

(c) Total sales of available-for-sale securities sold in the year ended February 28, 2002 amounted to ¥100 million (\$746 thousand) and resulted in no related gains or losses.

(d) Details of investments as of February 28, 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	Book value	Market value	Book value	Market value
Investments in securities:				
Quoted equity securities	¥ 126	¥ 144	\$ 940	\$ 1,075

This information excludes unlisted equity securities.

4. Installment Accounts Receivable

Installment accounts receivable as of February 28, 2002 and 2001, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Credit cards	¥ 25,742	¥ 28,912	\$ 192,104
Loans	89,539	93,493	181,672
Agency services	2,686	3,052	7,813
Other	102	195	22,918
	<u>¥ 118,069</u>	<u>¥ 125,652</u>	<u>\$ 881,112</u>

Installment accounts receivable as of February 28, 2002 includes ¥7,175 million (\$53,545 thousand) of beneficial interest in trust with securitization and ¥20,435 million (\$152,500 thousand) of beneficial interest in trust with planned securitization on March 15, 2002.

The volume of new contracts and realized operating revenues by type of contract for the years ended February 28, 2002 and 2001, are summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	2002		2001		2002	
	Volume of new contracts	Realized operating revenues	Volume of new contracts	Realized operating revenues	Volume of new contracts	Realized operating revenues
Credit cards.....	¥ 133,732	¥ 3,498	¥ 145,844	¥ 3,898	\$ 998,000	\$ 26,104
Loans.....	126,677	24,344	108,524	22,752	945,351	181,672
Agency services	82,510	1,047	83,734	1,077	615,746	7,813
Other	3,128	3,071	2,902	2,699	23,343	22,918
	<u>¥ 346,047</u>	<u>¥ 31,960</u>	<u>¥ 341,004</u>	<u>¥ 30,426</u>	<u>\$ 2,582,440</u>	<u>\$ 238,507</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
	2002	2001	2002
Loans to bankrupt borrowers	¥ 603	¥ 387	\$ 4,500
Delinquent loans	1,730	1,731	12,910
Delinquent loans past three months or more	601	699	4,485
Restructured loans.....	1,068	989	7,970

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 loan 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, 2002 and 2001, consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Provision for doubtful receivables	¥ 3,748	¥ 3,099	\$ 27,970
Loan losses.....	518	358	3,866
	<u>¥ 4,266</u>	<u>¥ 3,457</u>	<u>\$ 31,836</u>

Recoveries of doubtful receivables are included in other expenses in the amounts of ¥107 million (\$799 thousand) and ¥99 million for the years ended February 28, 2002 and 2001, 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, 2002 and 2001, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
1.2% to 2.30% loans from banks, due in installments through 2006			
secured	¥ 11,616	¥ 11,813	\$ 86,686
unsecured.....	31,951	37,995	236,448
1.2% to 2.3% loans from banks, due on various dates through 2006			
unsecured.....	3,000	3,000	22,388
1.7% to 2.75% loans from insurance companies, due in installments through 2005			
secured	1,640	3,319	12,239
unsecured.....	100	960	746
2.05% loans from a subsidiary, due on various dates through 2001			
unsecured.....	—	35	—
1.5% bonds due in 2003	5,000	5,000	37,313
1.43% bonds due to 2005.....	3,000	—	22,388
1.7% bonds with warrants due in 2004.....	196	196	1,463
Total	¥ 56,504	¥ 62,318	\$ 421,671
Less current portion	(19,934)	(19,595)	(148,761)
	<u>¥ 36,570</u>	<u>¥ 42,723</u>	<u>\$ 272,910</u>

The annual maturities of long-term debt subsequent to February 28, 2003, are as follows:

Fiscal year	Millions of yen	Thousands of U.S. dollars
2004	¥ 20,097	\$ 149,978
2005	8,734	65,179
2006	6,833	50,992
2007	906	6,761
	<u>¥ 36,570</u>	<u>\$ 272,910</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, 2002 and 2001, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Installment accounts receivable	¥ 14,073	¥ 17,182	\$ 105,022

7. Employees' Severance and Pension Benefits

As explained in Note 2, effective March 1, 2001, the Company adopted the new accounting standard for employees' severance and pension benefits, under which allowance and expense for severance and pension benefits are determined based on the amounts obtained by actuarial calculations.

Allowance for severance and pension benefits as of February 28, 2002 consists of the following:

	Millions of yen	Thousands of U.S. dollars
	¥	\$
Projected benefit obligation	707	5,276
Unrecognized actuarial differences	10	75
Less fair value of pension assets	(254)	(1,896)
Allowance for severance and pension benefits	¥ 463	\$ 3,455

Severance and pension benefit expense for the year ended February 28, 2002 comprises the following:

	Millions of yen	Thousands of U.S. dollars
	¥	\$
Service costs/benefits earned during the year	137	1,022
Interest cost (on projected benefit obligation)	82	612
Expected return on plan assets	(54)	(403)
Net transition obligation	377	2,814
Severance and pension benefit expense	¥ 542	\$ 4,045

The discount rate and the rate of expected return on plan assets used by the Company are 3% and 3.0% to 4.2%, respectively. The estimated amount of all retirement benefits to be paid at future retirement

dates is allocated equally to each service year using the estimated number of total service years. Actuarial gains/losses are recognized in the statements of income using the straight-line method over 8 years.

8. 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, were as follows:

	Millions of yen					
	2002			2001		
	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	¥ —	¥ —	¥ —	¥ 24,788	¥ 20,047	¥ (571)
Receive floating/pay floating	—	—	—	3,334	—	(22)
	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ 28,122</u>	<u>¥ 20,047</u>	<u>¥ (593)</u>

- Notes
1. Estimated fair values were obtained from banks.
 2. Receive floating/pay floating interest swaps also have interest rate caps.
 3. Effective from the year ended February 28, 2002, the above table does not list the derivative transactions for which hedged accounting has been applied.

9. Loan Commitments

Loan commitments are agreements to make loans as long as the agreed-upon terms are met. The amounts of such loan commitments outstanding as of February 28, 2002 are as follows:

	Millions of yen	Thousands of U.S. dollars
Total amount of loan commitments	¥ 939,471	\$ 7,010,978
Enforcement of loan	90,317	674,008
Loan commitments outstanding	<u>¥ 849,154</u>	<u>\$ 6,336,970</u>

10. 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, 2002 and 2001. Significant components of the Company's deferred tax assets and liabilities as of February 28, 2002 and 2001, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Enterprise taxes, etc.	¥ 195	¥ 135	\$ 1,455
Accounts receivable	112	76	836
Retirement benefits for directors.....	—	74	—
Allowance for doubtful receivables.....	342	87	2,552
Allowance for severance and pension benefits	158	—	1,179
Other	106	59	791
Total deferred tax assets	<u>¥ 913</u>	<u>¥ 431</u>	<u>\$ 6,813</u>
Deferred tax liabilities:			
Reserve for special depreciation	¥ 215	¥ 250	\$ 1,604
Total deferred tax liabilities	<u>215</u>	<u>250</u>	<u>1,604</u>
Net deferred tax assets	<u>¥ 698</u>	<u>¥ 181</u>	<u>\$ 5,209</u>

11. Lease Transactions

Information relating to finance leases of the Company as lessor, as of February 28, 2002 and 2001, for the years then ended is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Acquisition cost	¥ 52	¥ 329	\$ 388
Accumulated depreciation	(44)	(247)	(328)
Book value.....	¥ 8	¥ 82	\$ 60
Present value of future minimum lease payments due from customers:			
Due within one year	¥ 2	¥ 44	\$ 15
Due after one year	2	50	15
	¥ 4	¥ 94	\$ 30
Rental revenues	¥ 15	¥ 99	\$ 112
Depreciation expense.....	8	54	60
Rental revenues attributable to financing income.....	2	11	15

Information relating to non-capitalized finance leases of the Company as lessee, as of February 28, 2002 and 2001, for the years then ended is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Acquisition cost	¥ 1,582	¥ 1,632	\$ 11,806
Accumulated depreciation	(1,402)	(1,205)	(10,463)
Book value.....	¥ 180	¥ 427	\$ 1,343
Present value of future minimum lease payments:			
Due within one year	¥ 98	¥ 256	\$ 731
Due after one year	69	167	515
	¥ 167	¥ 423	\$ 1,246
Lease payments.....	¥ 266	¥ 324	\$ 1,985
Depreciation expense, if capitalized.....	250	307	1,866
Interest expense, if capitalized	9	18	67

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

12. Contingent Liabilities

As of February 28, 2002, the Company was contingently liable for the following:

	Millions of yen	Thousands of U.S. dollars
Guarantor of lease obligation of Vinculum Japan Corporation	¥ 407	\$ 3,037

13. Related Party Transactions

Significant related party transactions of the Company as of February 28, 2002 and 2001, and for the years then ended, are summarized as follows:

Name of related party	Description of transaction and balances	Millions of yen		Thousands of U.S. dollars
		2002	2001	2002
MYCAL Corporation	Volume of new contracts			
	Credit cards	¥ 68,472	¥ 68,788	\$ 510,985
	Operating revenue			
	Credit cards	1,183	1,274	8,828
	Lease operations	—	1	—
	Accounts receivable	58	—	433
	Accounts payable	9,320	11,953	69,552
DAC VIVRE Co., Ltd.	Volume of new contracts			
	Credit cards	¥ —	¥ 6,938	\$ —
	Operating revenue			
	Credit cards	—	155	—
	Accounts payable	—	1,821	—
Sanyo Shinpan Finance Co., Ltd.	Volume of new contracts			
	Agency services	¥ 341	¥ —	\$ 2,545
	Operating revenue			
	Financing and administration fees	5	—	37
	Installment accounts receivable			
	Loans	9	—	67

14. Shareholders' Equity and Per Share Data

Prior to October 1, 2001, the Japanese Commercial Code provided that at least one half of the proceeds from shares issued at a price in excess of par value be included in common stock. Effective October 1, 2001, the Code abolished par value of shares and provides that at least one half of the proceeds from shares issued be included in common stock and the remaining amount accounted for as additional paid-in capital.

Effective October 1, 2001, the Japanese Commercial Code provides that an amount equivalent to at least 10% of cash dividends paid and other cash appropriations shall be appropriated and provided as legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of stated capital.

As of February 28, 2002, the total amount of legal reserve and additional paid-in capital had already exceeded 25% of the stated capital and, therefore, no additional provision was required.

On condition that the total amount of legal reserve and additional paid-in capital remains equal to or exceeding 25% of stated capital, it is available for distribution by resolution of shareholders at a general shareholders' meeting.

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.

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 semi-annually. 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.

The Ordinary General Meeting of Shareholders held on May 21, 2002, authorized the Company to purchase its common stock up to a total not exceeding 8,000 thousand outstanding shares at a price in total not exceeding ¥12,000 million (\$89,552 thousand).

15. Subsequent Events

- (a) Based on conclusion of the comprehensive trust contract on February 28, 2002, the Company assigned and trusted ¥20,435 million (\$152,500 thousand) of installment accounts receivable to the Sumitomo Trust Bank and obtained beneficial interest in trust issued by the Sumitomo Trust Bank. The Company financed up to ¥15,000 million (\$111,940 thousand) of the above beneficial interest in trust by sale to an institutional buyer.
- (b) At the Ordinary General Meeting of Shareholders held on May 21, 2002, in accordance with provisions of the Japanese Commercial Code, the Company's shareholders approved the purchase of treasury stock in an aggregate maximum of 8,000 thousand shares at an amount in total not exceeding ¥12,000 million (\$89,552 thousand) in acquisition costs at any time during the period up to the conclusion of the next shareholders' meeting.

Report of Independent Public Accountants

To the Shareholders and the Board of Directors of
POCKET CARD CO., LTD.

We have audited the accompanying non-consolidated balance sheets of POCKET CARD CO., LTD. (a Japanese corporation; formerly MYCAL CARD INC.) as of February 28, 2002 and 2001, 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 POCKET CARD CO., LTD. as of February 28, 2002 and 2001, 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 (b) (c) (j) and (n), in the year ended February 28, 2002, POCKET CARD CO., LTD. prospectively adopted new Japanese accounting standards for "Translation of foreign currencies", "Investments in securities", "Termination and retirement benefit plans" and "Derivative and hedge accounting".

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 21, 2002


Asahi & Co.

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	Statutory Auditor	Teruaki Fujii
President and CEO	Yoshiyuki Miwa*	Auditors	Shigeto Okamoto
Directors	Masao Yosomiya		Seiichi Nishitani
	Masayasu Saki		Tomoyuki Kurashige
	Masaharu Shiiki	*Representative Director	

Corporate Data

Name	POCKET CARD CO., LTD.
Representative Director	Yoshiyuki Miwa, President and CEO
Headquarters	3F, Furointou Mita Bldg., 2-14-5 Mita, Minato-ku, Tokyo 108-0073, Japan Tel: +81-3-5441-3450 Fax: +81-3-5441-1917
Business Profile	<ul style="list-style-type: none"> • Credit-card service and factoring business • Consumer loan services • Life insurance policy sales and 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"> • Sanyo Shinpan Finance Co., Ltd. • MYCAL Corporation • The Dai-ichi Kangyo Bank, Ltd. • Mitsubishi Trust and Banking Corporation • Credit Suisse First Boston (Europe) Limited Prime Brok Clt <p>Note: Effective April 1, 2002, the Dai-ichi Kangyo Bank merged its operations with those of the Fuji Bank, Ltd., and the Industrial Bank of Japan, Ltd., to form two new banks, Mizuho Bank, Ltd., and Mizuho Corporate Bank, Ltd.</p>
Settlement Date	End of February (mid-term settlement in August)
Operating Revenues	¥31,960 million*
Shareholders' Equity Ratio	28.4%*
Cardholders	3.12 million*
Number of Outlets (total of regional offices and staffed outlets)	87
Shares Authorized	80,000,000*
Shares Issued	30,382,222*
Number of Stockholders	8,279*
Bankers	<ul style="list-style-type: none"> • Mizuho Corporate Bank, Ltd. • The Sumitomo Trust & Banking Co., Ltd. • Aozora Bank, Ltd.
Number of Employees	510 (200 males, 310 females)*

(as of May 21, 2002, except *February 28, 2002)

POCKETCARD CO.,LTD.

3F, Furointou Mita Bldg., 2-14-5 Mita
Minato-ku, Tokyo 108-0073, Japan
Tel: +81-3-5441-3450

<http://www.pocketcard.co.jp/pr>