

## Consolidated Financial Results for the Year Ended December 2002

Company name: Bell-Park Co., Ltd.  
 Stock code: 9441  
 Stock exchange listing: JASDAQ  
 Company domicile: Tokyo, Japan  
 URL: <http://www.bellpark.co.jp>  
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Date of board meeting for approving consolidated financial results: February 20, 2003

SEC accounting standards: The Company does not apply SEC accounting standards

### 1. Consolidated Financial Results for the Year Ended December 2002 (Jan. 1, 2002 - Dec. 31, 2002)

#### (1) Results of Operations

*Yen in millions, rounded down*

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change %	Million yen	YoY change %	Million yen	YoY change %
Year ended Dec. 2002	13,180	(11.8)	756	5.9	777	5.2
Year ended Dec. 2001	14,942	74.6	714	8.9	738	30.4

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	YoY change %	Yen	Yen
Year ended Dec. 2002	383	24.9	18,134.43	-
Year ended Dec. 2001	307	-	43,563.33	43,536.28

	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	%	%	%
Year ended Dec. 2002	14.0	17.0	5.9
Year ended Dec. 2001	12.5	17.1	5.0

Notes:

1. Equity in earnings of non-consolidated subsidiaries
  - Year ended Dec. 2002: -
  - Year ended Dec. 2001: -
2. Weighted average number of shares outstanding (consolidated)
  - Year ended Dec. 2002: 21,152.59 shares
  - Year ended Dec. 2001: 7,050.02 shares
3. Unrealized holding gain/loss on securities: -
- Unrealized gain/loss on derivative transactions: -
4. Changes in accounting principles applied: None
5. Net income per share and diluted net income per share is calculated based on the average number of outstanding shares during the year, retroactively adjusted for a three-for-one stock split on February 20, 2002. Diluted net income per share for the year ended Dec. 2002 is not presented since the Company has no outstanding bonds with warrants or convertible bonds and stock options issued by the Company and financed by treasury stock were not in the money.

## (2) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
Year ended Dec. 2002	4,825	2,902	60.1	137,202.53
Year ended Dec. 2001	4,338	2,579	59.5	365,933.57

Note:

Number of shares outstanding (consolidated) at end of period:  
Year ended Dec. 2002: 21,156.06 shares  
Year ended Dec. 2001: 7,050.52 shares

## (3) Cash Flows Position

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Year ended Dec. 2002	743	(11)	(52)	1,865
Year ended Dec. 2001	363	(1)	(449)	1,185

## (4) Matters Concerning the Scope of Consolidation and the Application of the Equity Method

Consolidated subsidiaries: 1

Non-consolidated subsidiaries accounted for under the equity method: 0

Affiliates accounted for under the equity method: 0

## (5) Changes in the Scope of Consolidation and Affiliates Accounted for Under the Equity Method

Consolidated subsidiaries

Newly: 0

Excluded: 0

Affiliates accounted for under the equity method:

Newly: 0

Excluded: 0

## 2. Forecast for the Year Ending December 2003 (Jan. 1, 2003 - Dec. 31, 2003)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	7,500	330	108
Full Year	15,500	800	370

Reference: Estimated net income per common share for the year ending Dec. 2003: ¥16,911.53

Estimated net income per common share is calculated based on the estimated average number of shares outstanding during the year.

### Forward Looking Statements

Forecasts regarding future performance in these materials are based estimates and judgments of the Company's management made in accordance with information available at the time this report was prepared. Forecasts therefore embody risks and uncertainties. Actual results may differ significantly from these forecasts for a number of factors. Readers are advised to refer to Supplementary Information (Page 5) for details on business forecasts, and assumptions and other relevant factors on which they are based.

## Corporate Group

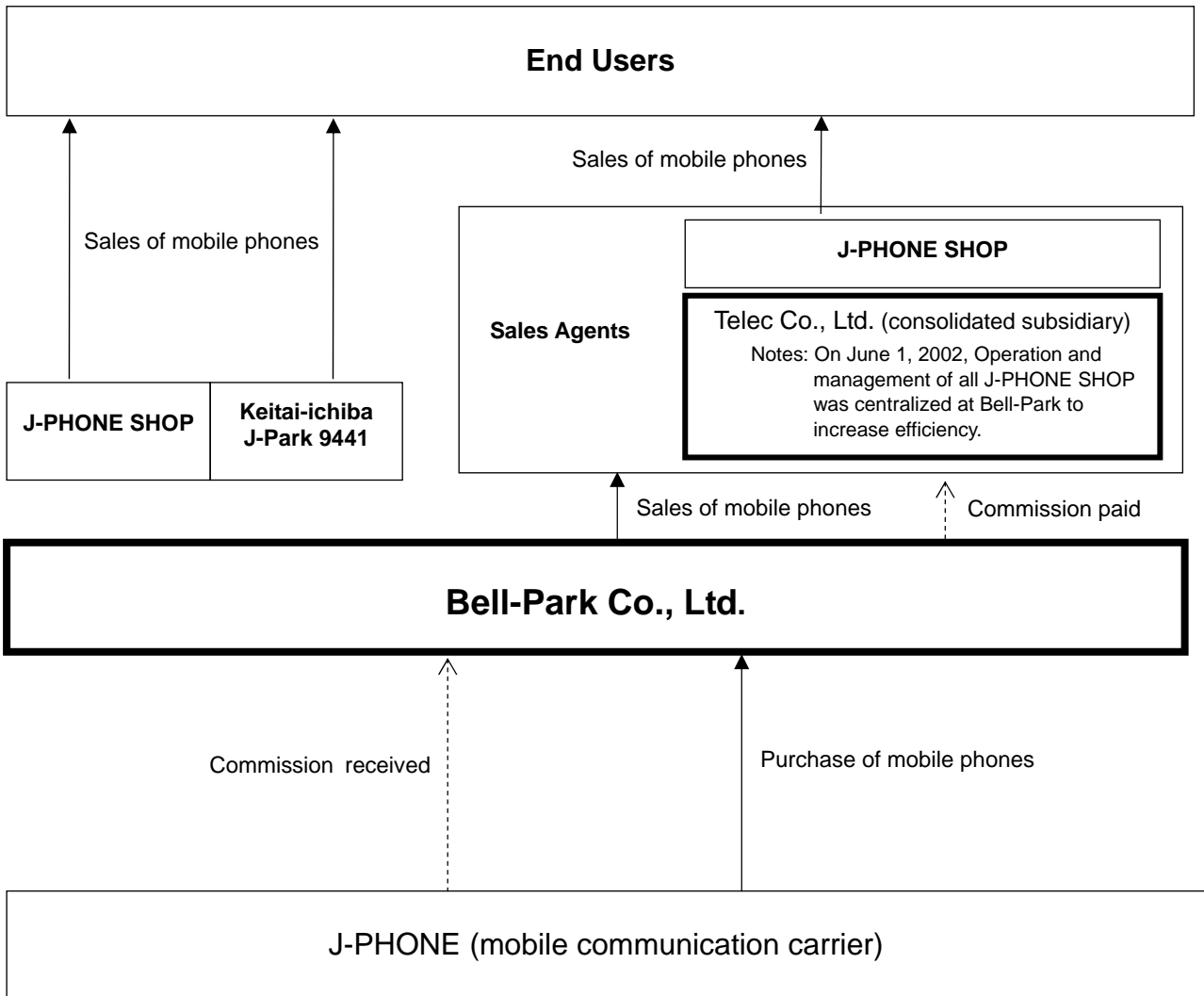
The Bell-Park group of companies, consisting of Bell-Park Co., Ltd. and one consolidated subsidiary, is engaged primarily in the sale of mobile communication devices. Business activities and the positioning of each company are as follows.

Mobile communication devices marketing business

1. Accept applications for mobile communication service contracts from new users as an agent of mobile communication carriers, and sales of mobile phones to users.
2. Accept applications from current mobile communication service subscribers for a change to a new model of phone as an agent of mobile communication carriers, and sales of mobile phones to users.
3. Accept applications from current mobile communication service subscribers for changes in subscription terms as an agent of mobile communication carriers.
4. Consignment sales of mobile phones and other devices through Bell-Park's sales agents.
5. Sales of mobile phones and other devices to Bell-Park's sales agents.

Note: Mobile communication carriers in this context are Type I carriers, which are as companies that own and operate their own network facilities, that offer cell phone and other mobile communication services.

A flowchart of business operations is shown below.



## **Management Policies**

### **(1) Fundamental Management Policies**

We strongly believe in our ability, potential and the possibilities of the future. We will continue to diligently pursue excellence by innovatively meeting the challenges and opportunities that arise. The goal is the mutual prosperity of customers, shareholders, vendors and all other stakeholders. Management is also committed to strictly observing all laws and regulations and, to preserve the trust of the public, conducting business operations that are fair and transparent in every respect.

### **(2) Fundamental Policy Regarding Distribution of Earnings**

Bell-Park's policy is to return earnings to shareholders in a stable and consistent manner while reflecting the group's operating results. Dividend payments will also take into consideration the need to maintain sufficient retained earnings to preserve financial soundness and support aggressive future business expansion.

### **(3) Medium- and Long-Term Strategies and Key Issues**

In Japan's mobile communication market, the mobile phone sector has matured but hopes are now pinned on third-generation mobile phone services capable of high-speed data communication as a means of sparking new sources of demand. However, the rising penetration rate of mobile phones is causing growth in new users to slow, a trend that indicates difficult market conditions will continue.

In response, Bell-Park is leveraging its personnel training expertise, which was used to build a team of highly skilled sales professionals, to expand in business fields related to mobile phones. Conducted by wholly owned subsidiary J-PHONE SERVICE Co., Ltd., these businesses include employment services, training services and the provision of content for distribution through mobile phones. Through these activities, Bell-Park aims to establish a stronger earnings base.

In addition, Bell-Park plans to aggressively pursue mergers and acquisitions over the medium and long terms. The goal is to maximize corporate value by enlarging the mobile phone sales network and establishing new sources of earnings.

### **(4) Corporate Governance and Management Structure**

To gain an additional source of assistance in management, Bell-Park has named one external director. To strengthen the oversight of management activities, there are two external corporate auditors. The corporate auditors attend the monthly meetings of the board of directors, where the auditors express their opinions as required.

### **(5) Targeted Performance Indicators**

In the current economic environment, Bell-Park believes that the most critical points are its ability to conduct core businesses smoothly and to procure the necessary funds for investments required during Bell-Park's current medium- and long-term growth phase. Therefore, the company is placing priority on the cash flow margin as an indicator of its ability to generate stable cash flows from core businesses. Over the short term, the goal is a margin of at least 10%.

## **Results of Operations and Financial Position**

### **1. Results of Operations**

#### **(1) Summary of 2002**

In 2002, Japan's economy remained lackluster as consumer spending continued to be soft. There were no signs of an economic rebound as mounting deflationary forces caused problem loans to grow and raised unemployment to a new high.

In the mobile phone market, cumulative mobile and PHS phone service subscriptions as of the end of December 2002 totaled 79,082 thousand lines, including 73,514 thousand mobile phone lines. Growth in new subscribers is falling as the penetration rate rises. On the other hand, demand is climbing steadily for upgrades to new phones. Furthermore, communication carriers have started introducing third-generation services, a development that is leading to hopes for the emergence of new sources of demand.

In the mobile phone retailing industry, slower net growth in new subscribers along with revisions in fees by

carriers are reducing the number of stores nationwide that handle products and services of more than one carrier. This made 2002 a period when the gap widened between strong and weak sales channels.

In this environment, Bell-Park limited the growth of its own store network. The aim was to avoid destructive competition, prevent growth in wholesale sales of phones to sales agents, and preserve earnings at existing stores. As a result of this stance, the number of sales to new subscribers fell. However, Bell-Park drew on the strength of its J-PHONE SHOP network in the Kanto area to post growth in the number of upgrade phones sold and after-sales service support provided. To distinguish Bell-Park from competitors and reduce the subscriber attrition rate, the company began providing BellPA, a variety of entertaining content, at no charge to all subscribers in November 2002. To raise efficiency, Bell-Park on June 1, 2002 took over the operations of subsidiary Telec Co., Ltd., which had operated J-PHONE SHOP.

Due to these factors, consolidated net sales decreased 11.8% to ¥13,180 million, operating income increased 5.9% to ¥756 million, ordinary income was up 5.2% to ¥777 million and net income increased 24.9% to ¥383 million.

Results by business segment are not provided as all consolidated sales and earnings are derived from the sale of mobile phones and related products.

## (2) Outlook for 2003

Although there are some signs that the economic downturn is coming to an end, the outlook is for a continuation of the current difficult economic conditions in Japan in 2003. Unemployment in Japan remains high. Furthermore, the outlook for the global economy is becoming increasingly unclear as both stock markets and the U.S. dollar weaken because of global tension.

In the mobile phone retailing industry, companies will face constant change due to shifts in the policies of carriers. At the same time, carriers must place priority on front-line sales activities in order to preserve and increase market share. That means the ongoing changes present both challenges and opportunities. In this environment, Bell-Park will focus on the employment services, training and mobile phone content businesses of wholly owned subsidiary J-PHONE SERVICE Co., Ltd. Through this stance, the company will concentrate on enlarging the scope of activities in the mobile communications field and diversify sources of earnings.

Based on the above outlook, Bell-Park is forecasting consolidated net sales of ¥15,500 million (up 17.6%), ordinary income of ¥800 million (up 2.9%) and net income of ¥370 million (down 3.5%) in 2003.

These figures are based on information available at the time these forecasts were prepared. Please note that actual results may differ significantly from these forecasts due to changes in the operating environment and other reasons.

## 2. Financial Position

### (1) Cash flows

There was a net increase of ¥680 million in cash and cash equivalents to ¥1,865 million as of December 31, 2002. This was mainly attributable to an increase in net cash provided by operating activities.

Net cash provided by operating activities was ¥743 million compared with ¥363 million in 2001. Major sources of cash were income before income taxes of ¥775 million and a ¥180 million decrease in inventories. Offsetting these inflows somewhat were a ¥152 million decrease in payables and income tax payments of ¥240 million.

Net cash used in investing activities was ¥11 million compared with ¥1 million in 2001. Sales of investment securities generated proceeds of ¥66 million. Purchases of investment securities totaled ¥45 million and purchases of property, plant and equipment totaled ¥37 million.

Net cash used in financing activities was ¥52 million compared with ¥449 million in 2001. The main use of cash was dividend payments of ¥52 million.

## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

Fiscal Year Items	2001 (As of December 31, 2001)		2002 (As of December 31, 2002)	
	Thousand yen	%	Thousand yen	%
<b>Assets</b>				
<b>I. Current assets</b>				
1. Cash on hand and in banks	210,586		1,865,683	
2. Accounts receivable - trade and accounts receivable - other	1,530,098		1,530,712	
3. Available-for-sale securities	36,560		-	
4. Inventories	554,243		373,404	
5. Deposits	938,048		-	
6. Deferred tax assets	20,510		33,494	
7. Other current assets	70,965		87,447	
Allowance for doubtful accounts	(1,737)		(2,671)	
<b>Total current assets</b>	<b>3,359,276</b>	<b>77.4</b>	<b>3,888,069</b>	<b>80.6</b>
<b>II. Fixed assets</b>				
1. Property, plant and equipment				
(1) Buildings	224,897		266,703	
Accumulated depreciation	37,032	187,864	59,185	207,518
(2) Furniture and fixtures	55,403		58,172	
Accumulated depreciation	25,587	29,815	34,919	23,252
(3) Land		85,400		85,400
<b>Total property, plant and equipment</b>		<b>303,080</b>		<b>316,171</b>
2. Intangible assets		11,570		10,569
3. Investments and other assets				
(1) Investment securities		61,624		30,000
(2) Leasehold deposits		365,637		359,619
(3) Deferred tax assets		56,999		53,794
(4) Others		180,328		167,697
Allowance for doubtful accounts		(78)		(720)
<b>Total investments and other assets</b>		<b>664,510</b>	<b>15.3</b>	<b>610,390</b>
<b>Total fixed assets</b>		<b>979,161</b>	<b>22.6</b>	<b>937,131</b>
<b>Total assets</b>		<b>4,338,437</b>	<b>100.0</b>	<b>4,825,201</b>

Fiscal Year Items	2001 (As of December 31, 2001)		2002 (As of December 31, 2002)	
	Thousand yen	%	Thousand yen	%
Liabilities				
I. Current liabilities				
1.Accounts payable - trade and Accounts payable - other	1,375,845		1,223,650	
2.Accrued income taxes	90,255		226,310	
3.Reserve for employees' bonuses	14,840		11,934	
4.Other current liabilities	221,900		369,431	
Total current liabilities	1,702,842	39.2	1,831,326	38.0
II. Long-term liabilities				
1.Liability for employees' retirement benefits	9,794		8,823	
2.Accrued directors' severance benefits	25,337		37,896	
3.Deferred tax liabilities	-		24,804	
4.Other long-term liabilities	20,624		20,166	
Total long-term liabilities	55,756	1.3	91,690	1.9
Total liabilities	1,758,598	40.5	1,923,016	39.9
Shareholders' equity				
I. Common stock	1,073,676	24.8	-	
II. Additional paid-in capital	1,492,267	34.4	-	
III. Consolidated retained earnings	13,964	0.3	-	
IV. Net unrealized holding gain on securities	392	0.0	-	
	2,580,300	59.5	-	
V. Treasury stock	(461)	(0.0)	-	
Total shareholders' equity	2,579,839	59.5	-	
I. Common stock	-		1,074,301	22.3
II. Capital surplus	-		1,492,892	30.9
III. Retained earnings	-		335,839	6.9
IV. Net unrealized holding gain on securities	-		-	0.0
	-		2,903,033	60.1
V. Treasury stock	-		(848)	0.0
Total shareholders' equity	-		2,902,184	60.1
Total liabilities and shareholders' equity	4,338,437	100.0	4,825,201	100.0

## (2) Consolidated Statements of Income

Fiscal Year Items	2001 (Year ended Dec. 31,2001)			2002 (Year ended Dec. 31,2002)		
	Thousand yen		%	Thousand yen		%
I. Net sales		14,942,747	100.0		13,180,776	100.0
II. Cost of goods sold		12,514,063	83.7		10,414,997	79.0
Gross profit		2,428,684	16.3		2,765,779	21.0
III. Selling, general and administrative expenses #1		1,714,466	11.5		2,009,642	15.3
Operating income		714,218	4.8		756,136	5.7
IV. Non-operating income						
1. Interest income	4,857			194		
2. Gain on sale of investment securities	11,281			-		
3. Income from rentals	9,792			9,216		
4. New store opening subsidy	-			11,599		
5. Other non-operating income	4,635	30,568	0.2	3,467	24,477	0.2
V. Non-operating expenses						
1. Interest expense	3,220			1,593		
2. New stock issue expenses	-			815		
3. Other non-operating expenses	3,119	6,339	0.0	1,035	3,444	0.0
Ordinary income		738,446	5.0		777,168	5.9
VI. Extraordinary income						
1. Reversal of allowance for doubtful accounts	1,015			-		
2. Gain on sale of investment securities #4	770			8,532		
3. Prior year income adjustments #2	-			27,220		
4. Others	-	1,785	0.0	342	36,096	0.3
VII. Extraordinary loss						
1. Loss on removal of fixed assets #3	3,731			11,778		
2. Loss on sale of investment securities #4	48,921			18,745		
3. Loss on store closures	-			4,907		
4. Amortization of goodwill	114,285			-		
5. Others	650	167,588	1.1	2,490	37,922	0.3
Income before income taxes		572,642	3.9		775,343	5.9
Income taxes - current	262,253			376,442		
Income taxes - deferred	3,267	265,520	1.8	15,310	391,752	3.0
Net income		307,122	2.1		383,590	2.9

**(3) Consolidated Statements of Retained Earnings**

Item	Fiscal year	2001 (Year ended Dec. 31,2001)		2002 (Year ended Dec. 31,2002)	
		Thousand yen		Thousand yen	
I. Deficit at beginning of year			241,786		-
II. Increase in deficit					
1. Cash dividends		51,371	51,371	-	-
III. Net income			307,122		-
IV. Consolidated retained earnings at beginning of year			13,964		-
(Capital surplus)					
I. Capital surplus at beginning of year			-		1,492,267
II. Increase in capital surplus					
1. New stock issue for the exercise of stock options		-		625	625
III. Capital surplus at end of year			-		1,492,892
(Retained earnings)					
I. Retained earnings at beginning of year			-		13,964
II. Increase in retained earnings					
1. Net income		-	-	383,590	383,590
III. Decrease in retained earnings					
1. Cash dividends		-		52,875	
2. Directors' bonuses		-	-	8,840	61,715
IV. Retained earnings at end of year			-		335,839

#### (4) Consolidated Statements of Cash Flows

Item	Fiscal year	2001 (Year ended Dec. 31,2001)	2002 (Year ended Dec. 31,2002)
		Thousand yen	Thousand yen
<b>I. Cash flows from operating activities</b>			
Income before income taxes		572,642	775,343
Depreciation and amortization		31,583	37,044
Increase (decrease) in allowance for doubtful accounts		(1,762)	1,575
Increase (decrease) in reserve for employees' bonuses		859	(2,906)
Increase (decrease) in reserve for retirement allowances		(11,079)	-
Increase (decrease) in liability for employees' retirement benefits		9,794	(970)
Increase (decrease) in accrued directors' severance benefits		(84,777)	12,559
Interest and dividend income		(6,541)	(1,575)
Interest expense		3,220	1,593
Loss on sale of investment securities		36,869	10,212
Loss on removal of fixed assets		3,731	11,778
Amortization of goodwill		114,285	-
Decrease (Increase) in accounts receivable		(133,647)	(613)
Decrease (Increase) in inventories		(160,671)	180,839
Increase (decrease) in accounts payable		253,041	(152,195)
Others		60,237	111,650
Subtotal		687,786	984,335
Interest and dividend received		6,541	1,575
Interest paid		(3,220)	(1,593)
Income taxes paid		(327,759)	(240,387)
Net cash provided by operating activities		363,348	743,929
<b>II. Cash flows from investing activities</b>			
Proceeds from withdrawal of time deposits		40,351	-
Payment for purchase of investment securities		(129,759)	(45,517)
Proceeds from sale of investment securities		293,410	66,250
Payment for purchase of property, plant and equipment		(32,784)	(37,532)
Proceeds from sale of property, plant and equipment		-	3,129
Payment for acquisition of goodwill		(120,455)	-
Others		(51,886)	2,239
Net cash used in investing activities		(1,124)	(11,429)
<b>III. Cash flows from financing activities</b>			
Repayment of short-term borrowings		(134,137)	-
Repayment of long-term debt		(263,933)	-
Proceeds from issuance of new stock		-	1,250
Payment for purchase of treasury stock		-	(387)
Cash dividends paid		(51,371)	(52,875)
Net cash used in financing activities		(449,441)	(52,012)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>			
		-	-
<b>V. Net increase (decrease) in cash and cash equivalents</b>			
		(87,217)	680,488
<b>VI. Cash and cash equivalents at beginning of year</b>			
		1,272,412	1,185,195
<b>VII. Cash and cash equivalents at end of year</b>			
		1,185,195	1,865,683

## Significant Accounting Policies in the Preparation of Consolidated Financial Statements

	2001 (Year ended Dec. 31, 2001)	2002 (Year ended Dec. 31, 2002)
1. Principles of consolidation	The consolidated financial statements include the accounts of the Company and its one consolidated subsidiary. Name of consolidated subsidiary: Telec Co., Ltd.	The consolidated financial statements include the accounts of the Company and its one consolidated subsidiary. Name of consolidated subsidiary: Telec Co., Ltd.
2. Fiscal year-end of consolidated subsidiaries	The consolidated subsidiary's (Telec Co., Ltd.) fiscal year ends on the November 30, 2001. Financial statements of the balance sheet date are used in the preparation of the consolidated financial statements. In case that the subsidiary has a significant transaction during the period from its balance sheet date to the consolidated balance sheet date, the Company makes certain adjustments to the consolidated financial statements	The consolidated subsidiary's (Telec Co., Ltd.) fiscal year ends on the November 30, 2002. Financial statements of the balance sheet date are used in the preparation of the consolidated financial statements. In case that the subsidiary has a significant transaction during the period from its balance sheet date to the consolidated balance sheet date, the Company makes certain adjustments to the consolidated financial statements
3. Significant accounting policies  (1) Valuation criteria and methods for principal assets	<p>Securities Other securities Securities with market quotations Securities that have market value are carried at fair value on the balance sheet date. (Unrealized holding gain or loss is included directly in shareholders' equity. Cost of securities sold is determined by the moving-average method.)</p> <p>Securities without market quotations Securities without market quotations are stated at cost, cost being determined by the moving-average method.</p> <p>Inventories Merchandise Inventories are stated at cost determined primarily by the moving-average method.</p> <p>Supplies Supplies are stated at cost, cost being determined by the last purchase price method.</p>	<p>Securities Other securities Securities with market quotations Same as on the left.</p> <p>Securities without market quotations Same as on the left.</p> <p>Inventories Merchandise Same as on the left.</p> <p>Supplies Same as on the left.</p>

	2001 (Year ended Dec. 31, 2001)	2002 (Year ended Dec. 31, 2002)
(2) Depreciation and amortization of significant depreciable assets	<p>Property, plant and equipment Depreciation of property, plant and equipment is primarily computed by the declining-balance method. The Company computes depreciation on buildings (excluding fixtures) by the straight-line method. Useful life of principal assets is as follows: Buildings: 13-50 years Furniture and fixtures: 5-8 years</p> <p>Intangible assets Intangible assets (except software for internal use) are amortized by the straight-line method over their estimated useful lives. The cost of goodwill is charged to income as incurred. The development costs of software intended for internal use are amortized over an estimated useful life of 5 years by the straight-line method.</p> <p>Long-term prepaid expenses Long-term prepaid expenses are amortized by the straight-line method.</p>	<p>Property, plant and equipment Depreciation of property, plant and equipment is primarily computed by the declining-balance method. The Company computes depreciation on buildings (excluding fixtures) by the straight-line method. Useful life of principal assets is as follows: Buildings: 13-50 years Furniture and fixtures: 4-8 years</p> <p>Intangible assets Intangible assets (except software for internal use) are amortized by the straight-line method over their estimated useful lives. The development costs of software intended for internal use are amortized over an estimated useful life of 5 years by the straight-line method.</p> <p>Long-term prepaid expenses Same as on the left.</p> <p>Deferred tax assets New stock issue expenses New stock issue expenses are charged to income as incurred.</p>
(3) Recognition of significant allowances	<p>Allowance for doubtful accounts To prepare for credit losses on accounts receivable and loans receivable etc., allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectibility.</p> <p>Reserve for employees' bonuses As a means of providing for bonus obligations, the Company designates in the reserve account an amount estimated to have accrued for the current period.</p>	<p>Allowance for doubtful accounts Same as on the left.</p> <p>Reserve for employees' bonuses Same as on the left.</p>

	2001 (Year ended Dec. 31, 2001)	2002 (Year ended Dec. 31, 2002)
(4) Other significant accounting policies in the preparation of consolidated financial statements	<p>Liability for employees' retirement benefits To provide for employee retirement benefits, the Company provides an allowance for retirement benefits in the amount deemed to have accrued, determined (simple method) on the basis of the estimated retirement benefit obligation on the fiscal year balance sheet date.</p> <p>Accrued directors' severance benefits To provide for accrued officers' severance benefits, the Company provides an allowance for the aggregate amount payable at the end of the consolidated period pursuant to the Company's rules on directors' retirement benefits.</p> <p>Accounting for consumption tax All amounts stated are exclusive of consumption tax.</p>	<p>Liability for employees' retirement benefits Same as on the left.</p> <p>Accrued directors' severance benefits Same as on the left.</p> <p>Accounting for consumption tax Same as on the left.</p>
4. Valuation of assets and liabilities of consolidated subsidiaries	Assets and liabilities of consolidated subsidiaries are valued at market.	Same as on the left.
5. Appropriation of retained earnings	The consolidated financial statements include cash dividends declared by consolidated subsidiaries during the current consolidated year.	Same as on the left.
6. Scope of cash and cash equivalents on consolidated statements of cash flows	For the purpose of consolidated statements of cash flows, cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.	Same as on the left.

## Reclassifications

2001 (Year ended Dec. 31, 2001)	2002 (Year ended Dec. 31, 2002)
<p>Consolidated statements of income</p> <p>“Income from rentals”, included as a component of “Other” in the “Non-operating income” account in prior years, is presented as a separate item since the amount exceeds 10% of total non-operating income.</p> <p>Income from rentals in the previous consolidated year totaled ¥2,405 thousand.</p> <p>Consolidated statements of cash flows</p> <p>“Increase (decrease) in accrued directors’ severance benefits,” included in “Increase (decrease) in reserve for retirement allowances,” in prior years is presented as “Increase (decrease) in accrued directors’ severance benefits,” in order to enhance the transparency of financial statements.</p> <p>The “Increase (decrease) in accrued directors’ severance benefits,” included in “Increase (decrease) in reserve for retirement allowances,” in the previous consolidated year totaled ¥5,954 thousand.</p>	<p>_____</p>

## Supplementary Information

2001 (Year ended Dec. 31, 2001)	2002 (Year ended Dec. 31, 2002)
<p>Accounting for retirement benefits Effective the current consolidated period, the Company has adopted the new accounting standard for retirement allowances (“Opinion Concerning the Establishment of Accounting Standards for Retirement Benefits,” the Business Accounting Deliberation Council, June 16, 1998). The Company and its consolidated subsidiary employ the simple method to calculate the retirement benefit obligation. The effect of this change was insignificant. Reserve for retirement allowances are stated in the liability for employees’ retirement benefits.</p> <p>Accounting for financial instruments Effective the current consolidated period, the Company has adopted the new accounting standard (Opinion Concerning the Establishment of Accounting Standards for Financial Instruments,” Business Accounting Deliberation Council, January 22, 1999) for financial instruments. The effect of this change was to increase ordinary income by ¥1,173 thousand and income before income taxes by ¥2,189 thousand compared to the amounts that would have been reported if the previous method had been applied consistently.</p> <p>In addition, securities held at the beginning of the period are classified by purpose of holding. All debt securities with maturities of less than one year, included in other securities in prior periods, are stated as available-for-sale securities in current assets. All other debt securities are classified as other securities and included in investment securities. The effect of this change was to reduce available-for-sale securities in current assets by ¥58,624 thousand and increase investment securities in investments and others by an equivalent amount.</p>	<hr/> <hr/> <p>Accounting for treasury stock and reduction in legal reserves Effective the current consolidated period, the Company has adopted the new accounting standards for treasury stock and reduction of legal reserves (Financial Accounting Standard No. 1, Accounting Standard for Treasury Stock and Reduction of Legal Reserves, Business Accounting Deliberation Council). The effect of this change on profit / loss is insignificant.</p> <p>Effective the current consolidated period, the Company has adopted the amended “Regulations regarding Termonology, Forms and Methods of Preparation of Consolidated Financial Statements, (Cabinet Office Ordinance No. 11, Supplementary Provision No. 2, March 26, 2002). Accordingly, the shareholders’ equity section and the consolidated statements of retained earnings conform with the amended Regulation of Consolidated Financial Statements.</p>

## Notes to Financial Statements

### Notes to Consolidated Balance Sheets

2001 (As of Dec. 31, 2001)	2002 (As of Dec. 31, 2002)
#1: _____	#1 Treasury stock Common stock: 3.5 shares

### Notes to Consolidated Statements of Income

*Yen in thousands*

2001 (Year ended Dec. 31, 2001)	2002 (Year ended Dec. 31, 2002)
#1: Significant components of selling, general and administrative expenses	#1: Significant components of selling, general and administrative expenses
Wages and allowances 385,761	Wages and allowances 507,400
Miscellaneous wages 329,165	Miscellaneous wages 309,258
Rent 231,999	Rent 307,523
Provision of reserve for employees' bonuses 20,833	Provision of accrued directors' severance benefits 15,059
Retirement benefit expenses 4,308	Provision of reserve for employees' bonuses 11,934
Provision of accrued directors' severance benefits 3,375	Retirement benefit expenses 1,712
	Provision of allowance for doubtful accounts 1,706
#2: Note 2: _____	#2: Refund from filing amended tax return
#3: Significant components of loss on removal of fixed assets	#3: Significant components loss on removal of fixed assets
Buildings 2,728	Buildings 11,162
Vehicles and automotive equipment 60	Vehicles and automotive equipment 616
Furniture and fixtures 942	
Total 3,731	Total 11,778
#4: Gain/loss on sale of securities due to changes in fund management policies.	#4: _____

### Notes to Consolidated Statements of Cash Flows

*Yen in thousands*

2001 (Year ended Dec. 31, 2001)	2002 (Year ended Dec. 31, 2002)
(1) Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the period is made as follows:	(1) Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the period is made as follows:
Cash on hand and in banks 210,586	Cash on hand and in banks 1,865,683
Securities with maturities of less than 3 months 974,608	Cash and cash equivalents 1,865,683
Cash and cash equivalents 1,185,195	
(2) Significant components of assets related to goodwill assumed:	(2) _____
Current assets 1,660	
Fixed assets 118,795	
Total assets 120,455	

## Leases

No reportable information.

## Securities

### 1. Securities with market quotations classified as "Other securities"

*Yen in thousands*

	Type	2001 (As of Dec. 31, 2001)			2002 (As of Dec. 31, 2002)		
		Acquisition	Book value	Valuation gain/loss	Acquisition	Book value	Valuation gain/loss
Securities with carrying value in excess of book value	(1) Equity securities	29,873	39,424	9,550	-	-	-
	(2) Debt securities				-	-	-
	(a) Government and municipal bonds	-	-	-	-	-	-
	(b) Corporate bonds	-	-	-	-	-	-
	(c) Other	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	29,873	39,424	9,550	-	-	-
Securities with carrying value lower than book value	(1) Equity securities	31,072	22,200	(8,872)	30,000	30,000	-
	(2) Debt securities						
	(a) Government and municipal bonds	-	-	-	-	-	-
	(b) Corporate bonds	-	-	-	-	-	-
	(c) Other	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	31,072	22,200	(8,872)	30,000	30,000	-
Total		60,946	61,624	677	30,000	30,000	-

### 2. Securities classified as "Other securities" sold during the previous and current consolidated years

*Yen in thousands*

2001 (Year ended Dec. 31, 2001)			2002 (Year ended Dec. 31, 2002)		
Aggregate sales amount	Aggregate gain	Aggregate loss	Aggregate sales amount	Aggregate gain	Aggregate loss
293,410	12,051	48,921	66,250	8,532	18,745

### 3. Securities without market quotations

*Yen in thousands*

	2001 (As of Dec. 31, 2001)	2002 (As of Dec. 31, 2002)	Remarks
	Carrying value	Carrying value	
(1) Other securities Money Reserve Fund	36,560	-	

## Derivatives

Previous consolidated fiscal year (Year ended Dec. 31, 2001)

No reportable information. The Company did not have derivative transactions during the year.

Current consolidated fiscal year (Year ended Dec. 31, 2002)

No reportable information. The Company did not have derivative transactions during the year.

## Retirement Benefits

### 1. Retirement benefit plan

2001 (As of Dec. 31, 2001)	2002 (As of Dec. 31, 2002)
The Company and its domestic consolidated subsidiaries have defined benefit plan, i.e., a lump-sum pension plan.	Same as on the left.

### 2. The following table sets forth the funded and accrued status of the plans.

*Yen in thousands*

	2001 (As of Dec. 31, 2001)	2002 (As of Dec. 31, 2002)
(1) Retirement benefit obligation	(9,794)	(8,823)
(2) Liability for employees' retirement benefits	(9,794)	(8,823)

\* The projected retirement benefit obligation is computed by the Simple method

### 3. The following table sets forth the components of retirement benefit expenses.

*Yen in thousands*

	2001 (Year ended Dec. 31, 2001)	2002 (Year ended Dec. 31, 2002)
Retirement benefit expenses		
(1) Liability for employees' retirement benefits at the end of previous consolidated fiscal year	11,079	9,794
(2) Benefits at the current consolidated fiscal year	5,593	2,683
(3) Balance	5,485	7,111
(4) Liability for employees' retirement benefits at the end of the current consolidated fiscal year	9,794	8,823
(5) Retirement benefit expense	4,308	1,712

### 4. The assumptions used in accounting for the above plans were as follows:

	2001 (As of Dec. 31, 2001)	2002 (As of Dec. 31, 2002)
(1) Method of computing retirement benefit obligation	To provide for employee retirement benefits, the Company provides an allowance for retirement benefits in the amount deemed to have accrued if all eligible employees terminated employment on the balance sheet date.	Same as on the left.
(2) Period (years) for the amortization of the difference at transition.	No reportable information.	_____

## Deferred Income Taxes

Yen in thousands

2001 (Year ended Dec. 31, 2001)	2002 (Year ended Dec. 31, 2002)
1. Major components of deferred tax assets	1. Major components of deferred tax assets
Deferred tax assets	Deferred tax assets
Lump sum amortized assets	Lump sum amortized assets
2,303	2,271
Accrued enterprise tax	Accrued enterprise tax
7,538	19,028
Amortization of goodwill in excess of maximum amount allowed for inclusion in expenses	Amortization of goodwill in excess of maximum amount allowed for inclusion in expenses
38,491	28,868
Provision of reserve for employees' bonuses in excess of maximum amount allowed for inclusion in expenses	Provision of reserve for employees' bonuses in excess of maximum amount allowed for inclusion in expenses
1,844	3,164
Provision of liability for employees' retirement benefits in excess of maximum amount allowed for inclusion in expenses	Provision of liability for employees' retirement benefits in excess of maximum amount allowed for inclusion in expenses
3,179	2,711
Provision of accrued directors' severance benefits in excess of maximum amount allowed for inclusion in expenses	Provision of accrued directors' severance benefits in excess of maximum amount allowed for inclusion in expenses
10,665	15,954
Valuation gain/loss (subsidiary assets)	Memberships
13,771	1,322
Total deferred tax assets	Provision of allowance for doubtful accounts in excess of maximum amount allowed for inclusion in expenses
<u>77,795</u>	278
	Valuation gain/loss (subsidiary assets)
	13,688
	Total deferred tax assets
	<u>87,288</u>
Deferred tax liabilities	Deferred tax liabilities
Unrealized loss on other securities	Unrealized loss on inter-group transactions (with subsidiaries)
(285)	(24,804)
Total deferred tax liabilities	Total deferred tax liabilities
<u>(285)</u>	(24,804)
Net deferred tax assets	Net deferred tax assets
<u>77,509</u>	<u>62,484</u>
2. Significant sources of the difference between the statutory and effective tax rates are not presented since the difference between the statutory and the effective tax rates is less than 5% of the effective tax rate.	2. Significant sources of the difference between the statutory and effective tax rates
	Statutory tax rate
	42.1%
	(Adjustments)
	Entertainment expenses and other items not to be included in expenses indefinitely
	2.9%
	Dividends etc. received not included in income indefinitely
	(0.1%)
	Residential tax for the period (straight-line)
	2.3%
	Tax on retained earnings
	3.4%
	Other
	0.0%
	Effective tax rate
	50.5%

## Segment Information

### 1. Operating segment information

Previous consolidated fiscal year (Year ended Dec. 31, 2001)

Operating segment information is not provided since the Companies operate in a single segment defined as mobile phone sales.

Current consolidated fiscal year (Year ended Dec. 31, 2002)

Operating segment information is not provided since the Companies operate in a single segment defined as mobile phone sales.

## 2. Geographical Segment Information

Previous consolidated fiscal year (Year ended Dec. 31, 2001)

Geographic segment information is not presented since the Companies did not have consolidated subsidiaries in areas other than Japan.

Current consolidated fiscal year (Year ended Dec. 31, 2002)

Geographic segment information is not presented since the Companies did not have consolidated subsidiaries in areas other than Japan.

## 3. Overseas Sales

Previous consolidated fiscal year (Year ended Dec. 31, 2001)

The Companies operate mainly in Japan and have no overseas sales.

Current consolidated fiscal year (Year ended Dec. 31, 2002)

The Companies operate mainly in Japan and have no overseas sales.

## Related Party Transactions

Previous consolidated fiscal year (Year ended Dec. 31, 2001)

No reportable information.

Current consolidated fiscal year (Year ended Dec. 31, 2002)

No reportable information.

## Per Share Information

Yen

2001 (Year ended Dec. 31, 2001)		2002 (Year ended Dec. 31, 2002)	
Shareholders' equity per share	365,933.57	Shareholders' equity per share	137,202.53
Net income per share	43,563.33	Net income per share	18,134.43
Net income per share (diluted)	43,536.28	Net income per share (diluted)	-

Note: Net income per share and diluted net income per share is calculated based on the weighted average number of outstanding shares during the year, retroactively adjusted for a three-for-one stock split on February 20, 2002. Diluted net income per share for the year ended Dec. 2002 is not presented since the Company has no outstanding bonds with warrants or convertible bonds and stock options issued by the Company and financed by treasury stock were not in the money.

Yen

	2001		2002	
	Interim	Year-end	Interim	Year-end
Net income per share	8,614.03	18,134.43	10,030.24	14,521.11
Shareholders' equity per share	127,787.41	137,202.53	117,080.46	121,977.85
Dividend per share	0.00	2,500.00	0.00	2,500.00

(Retroactively adjusted per-share data)

Per share data reported in the summary of consolidated financial statements adjusted for past stock splits (Base year: Year ended Dec. 2002 = 100).

Note: Net income per share is calculated based on the weighted average number of outstanding shares during the year, retroactively adjusted for a three-for-one stock split on February 20, 2002.

## Subsequent Events

2001 (Year ended Dec. 31, 2001)	2002 (Year ended Dec. 31, 2002)						
_____	<p>(1) Reasons for exchange of stock The Company acquired J-PHONE SERVICE Co., Ltd. on January 1, 2003, through an exchange of stock based on an agreement conclude on November 8, 2002. The acquisition of this wholly owned subsidiary is an initiative to diversify into staffing service.</p> <p>(2) J-PHONE SERVICE Co., Ltd.</p> <table border="1" style="margin-left: 40px;"> <tbody> <tr> <td style="text-align: center;">Name</td> <td style="text-align: center;">J-PHONE SERVICE Co., Ltd.</td> </tr> <tr> <td style="text-align: center;">Activities</td> <td style="text-align: center;">Staffing service</td> </tr> <tr> <td style="text-align: center;">Capital</td> <td style="text-align: center;">¥100,000 thousand</td> </tr> </tbody> </table> <p>(3) Stock exchange ratio</p> <p>a. One common share of J-PHONE SERVICE Co., Ltd. was exchanged for 0.363 shares of the Company</p> <p>b. Shares issued for the exchange of stock Common stock: 726 shares</p> <p>c. Increase in additional paid-in capital: ¥35,816 thousand</p> <p>d. Dividend reckoning date: January 1, 2003</p>	Name	J-PHONE SERVICE Co., Ltd.	Activities	Staffing service	Capital	¥100,000 thousand
Name	J-PHONE SERVICE Co., Ltd.						
Activities	Staffing service						
Capital	¥100,000 thousand						

## Supplementary Schedules

a. Corporate bond schedule  
No reportable information.

b. Debt schedule  
No reportable information.

(2) Other  
No reportable information.

## 2. Production, Orders and Sales

### (1) Production

No reportable information since the Companies have no manufacturing operations.

### (2) Procurement

*Yen in thousands*

Business unit	2002	
	(Year ended Dec. 31, 2002)	Vs. previous year
Mobile phone sales division	8,167,648	91.0%

Notes:

1. Amounts are based on purchase prices.
2. Amounts are exclusive of consumption tax.

### (3) Orders

No reportable information since the Companies do not accept advance orders.

### (4) Sales

Schedule of sales for the current consolidated fiscal year

*Yen in thousands*

Business unit	Item	2002	
		(Year ended Dec. 31, 2002)	Vs. previous year
Mobile phone sales division	Merchandise sales	3,596,928	87.3%
	Commissions received	9,583,848	88.6%
	Total	13,180,776	88.2%

Two-year summary of sales to principal customers and their shares of total sales:

*Yen in thousands*

Customer	2001		2002	
	(Year ended Dec. 31, 2001)		(Year ended Dec. 31, 2002)	
	Amount	Share	Amount	Share
J-PHONE Co., Ltd.	10,814,977	72.4%	9,572,261	72.6%

Note: The above amount is exclusive of consumption tax.

*This financial report is solely a translation of summary of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*