

F&M CO.,LTD.

Getting to Know F&M Better



Outsourcing Business

F&M Club Business

F&M

Business Report for Fiscal 2001
(April 1, 2001 to March 31, 2002)



Ichiro Morinaka

President

Term Operating Environment and Performance

Taking a look back at the term under review, I have to honestly say that F&M was presented with an unusually severe operating environment throughout, due mainly to the bulk of the Company's business market, i.e. the life insurance industry and small and medium-sized companies, facing operating conditions more harsh than anyone had predicted. These conditions, taken together with the Company's proactive long-term investments for meeting the challenges of the current term and beyond, resulted in consolidated net sales for the term under review of ¥3,733 million, with an operating loss for the term of ¥82 million.

Business Segments and Expanded Business Scope

Outsourcing Business

In the Outsourcing Business, changes in the life insurance industry led to the widespread retirement of life insurance sales agents, consequently resulting in a sudden rise in F&M membership cancellations. This brought total membership of this kind for the term under review to 33,725 (a drop of 14,919 from the previous term).

In response to these conditions, we concentrated efforts on development of a new management support service, "F&M Mate Pack," to supplement the Company's other book-keeping services (see p.2). Since January, on-going test marketing of this service has yielded excellent results, prompting the decision to market it full-scale from the current term. By contrast, the book-keeping service targeting persons receiving their revenues from real estate (see p.9) begun during the term under review required more preparation time than expected, though we are still on track for making this segment profitable by the end of the current term. We are

also exploring the possibilities of making these book-keeping services available to wage earners, a market we are well aware has enormous growth potential. Rest assured that F&M, as the leading company in business of this type, will continue to do what it takes to maintain the Company's position at the top.

F&M Club Business

In the F&M Club Business, we further improved the quality of the Company's back-office administrative support services by developing of a range of additional training, human resource and financial services. In February 2002, we also began full-scale operation of "ISO Kobo 14001," a specialized ISO certification acquisition support business (see p.9).

With the completion of a comprehensive sales agent system for F&M Club as one of a number of notable achievements, the term under review was a year of revolutionary changes in both the development and sales aspects of this business segment. And while the operating environment for small and medium-sized companies was severe, and is expected to remain so for some time, we maintained our resolve to move the Company closer to the goal of easy-to-use "services on tap" that is at the heart of F&M's corporate philosophy. And with the experiences of the term under review as a springboard, F&M will carry on from now with improving the services it offers in a move we are confident will link strongly to better customer satisfaction, and of course, greater earnings.

New Group Businesses and Anticipated Synergies

The Small and Medium-Sized Company M&A Center Inc., established in February 2001, has so far handled more than 500 separate M&A requests and other

needs from F&M Club members and other corporate clients, and is currently involved in promoting a number of very promising M&A opportunities. The Center's high degree of synergy with other group businesses means it is soon expected to make a significant contribution to the F&M Group's overall consolidated earnings.

Internet contents and systems developer F&M net CO., LTD. continues to develop original products and is a vital element to the future of the F&M Group's IT strategy.

Outplacement support specialist Challenger, Gray & Christmas K.K., in addition to the superior counseling expertise it offers, is expected to be successful in its industry, which will no doubt lead to the company becoming one of the top names in the industry. F&M is currently the company's largest shareholder, holding 29.7% of its shares, but we are now investigating the possibility of making Challenger, Gray & Christmas a consolidated subsidiary, a move that would allow the company to contribute to overall group earnings. For more details, please see the special section on group companies on pages 4 through 8.

Message to Shareholders

I would like to take this opportunity to offer my sincerest apologies to our shareholders for term results that many have no doubt found disheartening. However, the new businesses we launched over the last year, and the group as a whole, are all poised for improved profitability in the current term. Everyone here at F&M, from the directors to ordinary employees, is doing their absolute best to build a Company in which shareholders will be proud to own stock. With that, I sincerely ask F&M's shareholders for their continued support and advice throughout our efforts to do so.

Outsourcing Business

Outsourcing Business

Business in Brief

- **Book-keeping services** — organization of records and formulation of documents for sole proprietorships before formal declaration of taxes
- **Business support services** — services aimed at helping life insurance agents improve their business performance

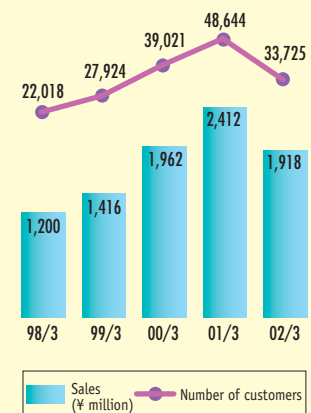
Term Overview

Providing Support Tools for Members and Extending Services to Taxable Real Estate Owners

Together with a complete overhaul of F&M's book-keeping system for life insurance company sales agents, efforts were focused on the development of "F&M Mate Pack," a new business support service. Unfortunately, an overall fall in insurance company employees from widespread industry restructuring, coupled with a subsequent rise in membership cancellations from retiring insurance sales agents, pushed plans for new services and new market exploration to the latter half of the term under review, preventing the Company from realizing positive earnings benefits from these ventures.

In other measures targeting the sole proprietorship market, we finalized preparations for offering the Company's book-keeping services to persons with taxable real estate holdings. Steps to begin this service have since moved steadily ahead, with full-scale record organization and book-keeping services to individuals and companies set to begin from the current term. From now, we are expecting full-fledged operation of F&M Mate Pack to reverse the trend in falling membership while we also direct the Company's efforts to making the book-keeping services for taxable real estate owners into a profitable business as quickly as possible.

Sales and number of customers



Sales in the Outsourcing Business for the term under review stood at ¥1,918 million. As a result of declines in the overall number of life insurance company employees, membership stood at 33,725 at the end of March 2002, a drop of 14,919 from the previous term-end.

The New Launch of F&M Mate Pack

This business support service aims to help life insurance agents improve their sales performance through a package in which their customers receive either a mail magazine sent via mobile phone, a business support CD and course book, or access to "e-seihoclub.com," a members only website, as well as a F&M mate MasterCard®. In addition to their names appearing on the mail magazine sent out to their customers, users of this service can also choose to have their names appear on the latest sports information and a host of other popular contents which can be sent out daily to their customers. Further, this user distribution list is linked to the e-seihoclub.com client maintenance system, the combination of which is expected to become a powerful new support tool for the discovery of new customers.

Business in Brief

- **Services for general affairs & management divisions** — providing a broad range of useful human resource, training, financial and management information
- **Training and examination services** — sponsoring a wealth of corporate training and aptitude testing solutions
- **ISO certification acquisition support** — certification acquisition resources and consulting for small and medium-sized companies
- **M&A advisory services** — mediation and intermediary solutions for the administrative partnerships and joint management needs of small and medium-sized businesses
- **Job search information** — employment information offered over the Internet

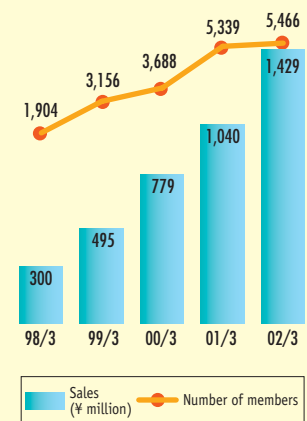
Term Overview

Improved support services for small and medium-sized businesses, sale of new products for client needs

To make the Company's general affairs and management focused back office support services for small and medium-sized companies more distinct and to present clients with an even more high value-added services, we developed a number of new training, human resource and finance-related solutions for clients, bundled together as the new "General Affairs Support Service". Further, to simultaneously strengthen operational capacity and expand the number of client companies as quickly as possible, we built a sales agent network for F&M Club, with preparations well under way to begin full-scale operations during the current term. In the ISO certification acquisition support business, we added alongside the 9001 series support services for the 14001 certification series, and went forward with expansion of the business, initially focused on member companies, to now include non-member small and medium-sized businesses from across Japan. We also began marketing F&M's e-Career agent services, offering services that are second-to-none to member companies and other small and medium-sized businesses (including listed companies) across Japan.

In the current term, we plan to further improve the Company's marketing system and to place all available efforts on increasing membership, the essential base upon which this business segment rests, in a move that will greatly enhance the growth and earnings power of the new businesses begun during the term under review.

Sales and membership



F&M Club sales for the term under review rose an impressive 37.3% over the previous term to ¥1,429 million. Membership at the end of March 2002 stood at 5,466 companies, 127 more than at the end of previous term.

The F&M Group, based firmly on the vital bonds it has forged with small and medium-sized companies, is optimizing group synergies in pursuit of its goal to become a high growth business. In an interview with top management, we asked their opinions on the Company's current outlook and the road that lies ahead.

Supporting business growth in an era of change

Small and Medium-Sized Company M&A Center Inc. URL: <http://www.m-ma.co.jp>



Shigeo Tsuji
President

Company Overview

The Center provides full M&A advisory services for small and medium-sized companies, mobilizing a wealth of experience, expertise and information to help clients fulfill their business strategies and other needs.

Q Could you give a brief description of the Center's activities, including its relationship with the parent company?

A As I am sure you are aware, the Japanese economy is currently undergoing widespread structural reforms, which has accelerated the pace of industry restructuring and M&A activities. The Center functions largely as an M&A intermediary, though its work does not stop simply at acquisitions and mergers; it also stretches also out onto the wider M&A scene by handling the administrative end of other business partnerships as well. The Center's relationship with F&M comes into play since right now, more than 40% of all small and medium-sized (as well as some listed) companies have leadership succession problems and other serious concerns. Since it stands to reason that many of F&M Club's 5,400 members are also experiencing similar difficulties, we see a robust response to member needs as crucial to the Center's new growth strategy.

Q Could you tell us some of the unique characteristics and strengths of the Center's M&A business?


A One definite strength is having access to F&M Club, whose members are essentially a microcosm of small and medium-sized businesses in Japan, as a potential market. Another, which I have been aware of since beginning M&A work at a previous post, is the need for unique outsider information like that I have amassed over the years responding to the diverse needs of listed companies and the repeat business needs clients. I am now able to use this information at the Center to assist compatible companies in achieving the best M&A results possible. Last year, for example, based on such information, we put the word out to F&M clients regarding a possible M&A opportunity. Before long, an interested party came forth, after which we were able to help conclude the sale of one of those parties to a listed company. These are the kinds of opportunities we are working hard to increase for our clients here at the Center.


Q How has business been since the Center began? What is the Center's intermediary role and what are some of the merits of M&A?

A In May of last year, we devised a system at the Center based around F&M client data. In little over a year's time, we have handled information on over 500 different M&A cases, and not all involving companies looking to sell. In fact, there have been more than a few cases of companies seeking M&A and tie-ups as preliminary steps to taking their stock public. There have also been a number of cases involving listed companies looking to sell off subsidiaries.

In this line of work, the relationship of trust we at the Center have with our clients is everything. This job is not just about sealing the deal, but about the successful merger of two different corporate cultures, which makes fully engaged aftercare another important part of what we do here. At the Center, we believe our mission is to achieve M&A results that satisfy each party involved, a goal that is also vital to receiving repeat business from our clients in the future.

By far, the greatest merit of M&A is that it gives customers a fast, powerful way to enact business strategies. The Center, in its capacity as an objective, third party intermediary, provides a mutually secure and comfortable space in which customers can come together and share sensitive information.

 **Could you say a few words on the Center's earnings outlook and its business strategies in the days ahead?**

 For the term under review, the Center's first year in operation, net sales stood at ¥100 million. Long-term investment needs detracted substantially from earnings, but were absolutely essential in the Center achieving the structure necessary to acquire and maintain the large volume of client data that is the heart of its business. Doing so has also allowed the Center to develop into an influential financial institution and a reliable business partner, one that its large number of clients has come to depend upon and trust. In three years, optimal utilization of these important intangible assets should allow the Center to reach net sales of ¥1 billion. And since its stock of information only continues to increase over time, I am more confident than ever in the Center's ability to reach that target.

From now, we are moving ahead rapidly with plans for a public offering of the Center's stock, a decision that will further enhance the its reliability

and trust in the eyes of clients. And though the time and resource commitment required to accomplish this task will not make it easy to end the fourth quarter in the black, we plan to mobilize all of the Center's resources, beef up its manpower and stay focused on the goal ahead — to become Japan's number one M&A intermediary, and the only company that clients think of for their M&A needs.

M&A Center Services

Service1 *Advisory service*

Assisting customers in achieving business goals by providing useful advice on handling the following situations.

- ▶ Stock and asset acquisition, Sale and merger
- ▶ Takeover bids (public purchase of stock)
- ▶ Restructuring
- ▶ Drafting fairness opinions
- ▶ Administrative tie-ups
- ▶ Merged company establishment
- ▶ Overseas expansion, withdrawal

Service2 *Financial advisor role*

Because expert advice is vital for successful M&A, the M&A Center provides customers with the following useful services.

- ▶ Proposals for achieving management goals
- ▶ Examination, analysis and rating of target companies
- ▶ M&A transaction structure, strategic negotiation planning
- ▶ General advice on negotiations with target companies
- ▶ Advice on tax, accounting and legal matters
- ▶ M&A candidate selection
- ▶ Investment analysis

Merits *The merits of M&A*

Below are some of the chief merits of M&A as a management tool, all of which play important roles in business strategy

- ▶ Rapid advancement into new business areas
- ▶ Strengthening and expanding existing businesses
- ▶ Reducing investment risk
- ▶ Realizing synergies

Supporting better outplacement

Challenger, Gray & Christmas K.K.



Yutaka Nishino
President

Company Overview

Taking advantage of U.S.-based Challenger's well-honed counseling expertise and recruitment information from the nearly 5,400 F&M Club member companies to provide outplacement support consulting that satisfies the employment needs of both job seekers and business.

Could you tell us of Challenger's history and its policies?

In 1962, Challenger, Gray and Christmas became the world's first outplacement support business, and a Japanese corporation just over three years ago. Challenger has always promoted what is often referred to as "tough love counseling," that is, persons seeking reemployment are encouraged to reflect deeply on the time spent on their job hunt as well as what they hope to accomplish through reemployment. For some job seekers, this can be difficult, because we place such a heavy emphasis on improving their self-confidence and their will to succeed throughout the counseling process. Still, the consultations offered by Challenger's specialized counselors are in-depth and backed by over 40 years of experience, which is no doubt the reason why the company has received such enormous

URL: <http://www.challengerkk.co.jp/>

praise from those who have used its services in the past to successfully find new employment.

Could you give some examples of Challenger's services and its market position compared to similar companies?

Challenger has information on more than 1 million job listings that can be accessed over the Internet, in addition to specialized recruitment information gained from direct interactions with small and medium-sized businesses. Further, in order to give the most personal, comprehensive consultation to each client, a single counselor never takes on more than 20 job seekers, ensuring that the services offered at Challenger are always of the highest quality. And no other company in the business offers management division administration and IT coordinator training courses, as well as the host of other skill improvement programs that we offer at Challenger.

How effective have reemployment efforts been?

Challenger's high rate of success has actually become the company's selling point. Last year, 7% of clients found employment after less than a month of job searching, 60% after less than three months and 85% after less than six months, a success rate we are proud to say is among the highest in the industry. This rate is even more impressive when considering that nearly 100% of our clients are more than 40 years of age. And right now, though demand is already extremely high for the services Challenger offers, we anticipate that the real flood of human resources onto the marketplace is still to come, as major semiconductor and

electrical equipment manufacturers move ahead with full-scale restructuring of their respective operations.

What sort of performance growth figures do you expect the company to achieve?

With the market expanding so rapidly, we should see net sales at the end of March 2003 term of ¥1 billion, with net sales of ¥2 billion for the term to follow. We believe these goals are well within striking range, since it appears that the previous year's net sales will already be matched in the first half of the current term. From now, in tune with market developments, we plan to shift focus to maintaining market share. And of course, as we at Challenger look forward to contributing strongly to F&M Group revenues, we remain confident that listing on the major stock markets is indeed not far behind.

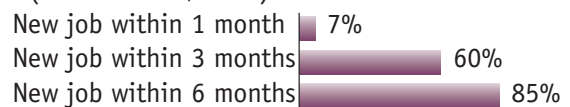
What is your vision of the company's future?

The current aim at Challenger is to bring IT innovation to the outplacement business model to provide more effective services to clients. This idea is still not prevalent in the industry, but we think it will soon become the dominant trend. We plan to set up a database optimally designed for quickly grasping the needs of job seekers and companies. From there, we can direct company resources into acquiring the capability to resolve the problems of job seekers from listed companies and the management concerns of small and medium-sized companies; a goal Challenger achieves by finding matches that are the most suitable and pleasing to everyone involved. One thing, at this point, seems certain; combining Challenger's know-how with the IT model is destined to help the company reach its goal of large-scale growth.

Challenger's Achievements and Characteristics

A reemployment rate to be proud of

◆ From the start of job search
(as of Dec. 31, 2001)



Small number of clients per counselor

Each reemployment counselor is responsible for between 15 to 20 clients (in this case, job seekers). A small client load allows for the caring, personal counseling job seekers need to find new work quickly.

Well-matched to Japan's market climate

U.S.-based Challenger's 40 years of achievements have been adjusted to suit Japan's distinctive culture and market conditions, resulting in the unique "Challenger method" in which counselors are trained.

Assisting reemployment by providing effective training

Counselors will train clients in practical job search skills, including effective resume writing and interviewing techniques. English training is also provided for clients seeking employment in overseas-based companies.

Ready with an array of skill improvement courses

- ▶ In-house network manager training
- ▶ IT coordinator training
- ▶ ISO certification acquisition training
- ▶ Manager training
- ▶ Healthcare business training

Leading the Broadband Era

F&M net CO., LTD.

URL: <http://www.fandmnet.com/>



Minori Miike
President

Company Overview

F&M net is primarily focused on developing "e-somu" sites for the general affairs divisions of companies. In addition to the development of contents for this specialized site, much of the company's revenues come from the building of customized networks for clients.

Until now, F&M net has been known mainly for its innovative "e-somu" and "e-seihoclub" sites. Could you tell us about other projects the company is involved in?

Recently, we have turned our efforts towards developing contents for personal digital assistants (PDAs). And now, with a system in place whereby telecommunications carriers handle fee collection, the demand for contents from mobile terminal users is expected to far outstrip demand from PC users. And the adoption by NTT DoCoMo of our "Hey! Marketing" business support system for display on its website has provided a great introduction to the kinds of business-oriented services F&M net offers.

At F&M net, we are also in the middle of further adapting the e-mail magazine (see p.2) initially designed as a tool to assist life insurance sales agents in identifying and connecting to

customers, for application to other industries as well. This business is already well on its way to becoming a customer preferred, value-added service that makes client management tasks much simpler, which makes its growth prospects down the road even more promising.

What sort of performance results and business developments do you see for the company in the days ahead?

F&M net, three years after its founding, achieved its initial goal of becoming profitable by ending the last term in the black, and there is every reason to believe the company's growth will continue expanding for some time to come. Concerning business developments, we are busy creating specialized contents for various industries, bringing together real world businesses and Internet services to give rise to effective synergies that will further enhance F&M net's customer support capabilities.

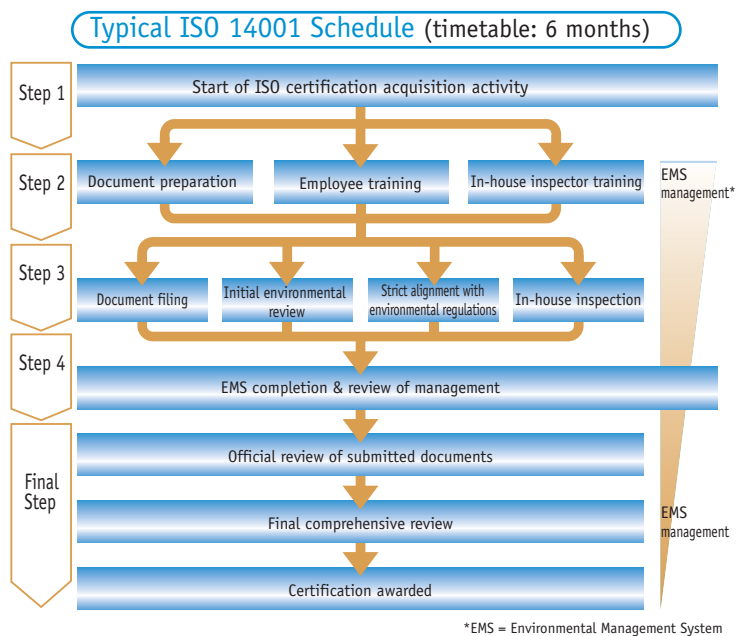
Most Internet businesses provide services in a way that assumes clients are already familiar with using the Internet. But even for those people still unaccustomed to the Internet business, F&M net is able to process customer requests by mail or fax, and send out specialized contents to whatever address the customer makes available. This unique business model is what gives merit to F&M net's position as an innovator in the industry. And now with the coming of broadband, and the possibilities its high-speed, large data volume and 24 hour connectivity will bring, we at F&M net are getting ready for an exciting new era by pouring all efforts into developing contents, including full-motion video, that will

take full advantage of what broadband offers. Not only will this move attract more customers, but it will surely pay off in increasingly pleasing financial performance.

New Products and Services

Continuation of the ISO 9001 series, the start of ISO Kobo 14001

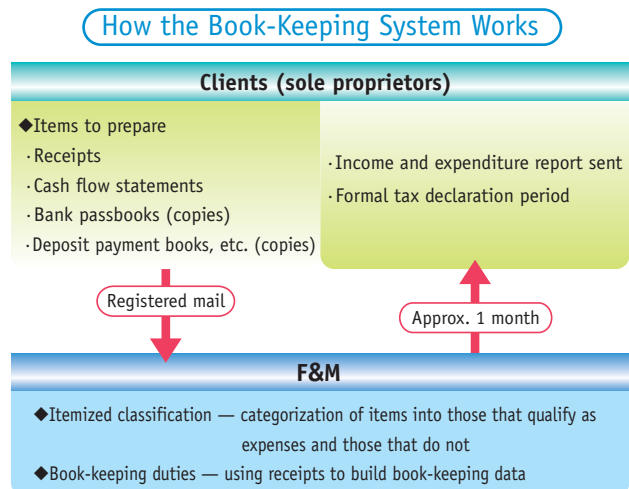
This is a completely new consulting system aimed at supporting the efforts of a growing number of companies moving actively ahead with acquiring internationally recognized ISO 14001 environmental management qualifications. The system is infused with expertise imported directly from the United States, the site where this management system was originally created. This consulting service thoroughly integrates teaching materials with phone, fax and e-mail communications, providing a low cost way for companies to receive their qualification as quickly as possible. ISO Kobo, begun just last year, has already witnessed half of the 47 companies using its services acquire ISO certification, with 5 months being the average time required to receive certification.



Book-keeping services for sole proprietorships begin

“Book-keeping System,” the service developed originally to help life insurance sales agents prepare for formal tax declaration, has grown into a business support system now known as “Account Consulting,” with expanded services that now include taxable real estate owners and a wide range of other sole proprietors.

So from now, sole proprietors looking for a comprehensive, accurate book-keeping service, useful book-keeping advice or who just have general book-keeping questions, need look no further, the service they have been waiting has finally arrived!



Annual Consolidated Financial Statements

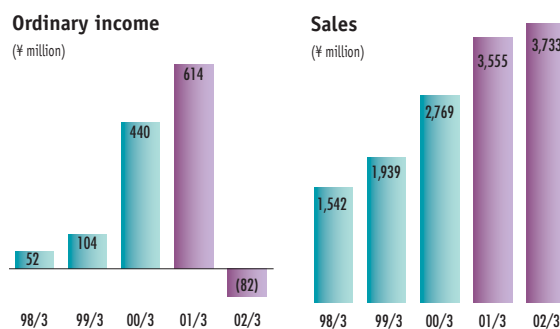
Balance Sheets

	(¥ million) March 31, 2002	(¥ million) March 31, 2001	(\$ thousand) March 31, 2002
Assets			
Current assets	1,619	2,221	12,172
Cash and cash equivalents	507	1,233	3,812
Trade notes and accounts receivable	684	427	5,142
Marketable securities	—	335	—
Other current assets	432	233	3,248
Allowance for doubtful accounts	(5)	(7)	(37)
Fixed assets	3,831	3,017	28,804
Tangible fixed assets	2,031	2,032	15,270
Buildings and structures	1,144	1,157	8,601
Land	729	729	5,481
Other tangible fixed assets	157	144	1,180
Intangible assets	224	110	1,684
Investments and other assets	1,575	875	1,184
Investment securities	709	380	5,330
Other investments	905	527	6,804
Allowance for doubtful accounts	(40)	(32)	(300)
Total assets	5,451	5,239	40,984

Statements of Operations

	(¥ million) Apr. 1, 2001 to Mar. 31, 2002	(¥ million) Apr. 1, 2000 to Mar. 31, 2001	(\$ thousand) Apr. 1, 2001 to Mar. 31, 2002
Sales	3,733	3,555	28,067
Cost of sales	2,236	1,351	16,812
Gross margin on sales	1,497	2,203	11,255
Selling, general, and administrative expenses	1,594	1,574	11,984
Operating income (loss)	(97)	628	(729)
Non-operating income	59	40	443
Non-operating expenses	45	54	338
Ordinary income (loss)	(82)	614	(616)
Extraordinary losses	61	74	458
Income (loss) before income taxes	(144)	540	1,082
Income taxes	29	301	218
Income tax — deferred	(107)	(43)	(804)
Losses on minority interests	—	11	—
Gains on minority interests	3	—	22
Net income (loss)	(70)	(294)	526

	(¥ million) March 31, 2002	(¥ million) March 31, 2001	(\$ thousand) March 31, 2002
Liabilities, minority interests, and shareholders' equity			
Current liabilities	1,153	872	8,669
Trade notes and accounts payable	81	—	609
Short-term borrowings	598	316	4,496
Income taxes payable	20	191	150
Reserve for employees' bonuses	80	122	601
Other current liabilities	373	241	2,804
Noncurrent liabilities	1,943	1,830	14,609
Long-term debt	1,841	1,693	13,842
Reserve for retirement benefits	—	4	—
Other noncurrent liabilities	102	132	766
Minority interests	4	3	30
Shareholders' equity	2,349	2,533	17,661
Capital	826	826	6,210
Additional paid-in capital	1,044	1,044	7,849
Retained earnings	533	662	4,007
Net unrealized losses on available-for-sale securities	(54)	—	(406)
Total liabilities, minority interests, and shareholders' equity	5,451	5,239	40,984



■ Non-consolidated basis ■ Consolidated basis
 Note:
 Sales and ordinary income figures for the terms ended March 1998 through March 2000 have been calculated on a non-consolidated basis, as the relevant figures on a consolidated basis are not available.

Note: The U.S. dollar amounts represent translations of Japanese yen for convenience only at the approximate exchange rate on March 31, 2002 of ¥133=U.S. \$1.

Statements of Cash Flows

	(¥ million) Apr. 1, 2001 to Mar. 31, 2002	(¥ million) Apr. 1, 2000 to Mar. 31, 2001	(\$ thousand) Apr. 1, 2001 to Mar. 31, 2002
Cash flows from operating activities	(531)	457	3,992
Cash flows from investing activities	(533)	(2,742)	4,007
Cash flows from financing activities	371	2,790	2,789
Foreign currency translation adjustment on cash and cash equivalents	—	—	—
Increase (decrease) in cash and cash equivalents during the term	(693)	505	5,210
Cash and cash equivalents at beginning of the term	1,201	696	9,030
Cash and cash equivalents at end of the term	507	1,201	3,812

Note: The sum of total cash and cash equivalents at the end of the term are in agreement with those found on the annual consolidated balance sheet. In the previous term, the sum of total cash and cash equivalents was ¥1,201 million, due to time deposits with maturity of more than three months of ¥32 million.

Statements of Retained Earnings

	(¥ million) March 31, 2002	(¥ million) March 31, 2001	(\$ thousand) March 31, 2002
Retained earnings at the beginning of the term	662	394	4,977
Decrease in retained earnings			
Dividend	59	26	443
Net income (loss)	(70)	294	526
Retained earnings at the end of the term	533	662	4,007

Information on the F&M Group Companies

■ Number of consolidated subsidiaries: 2

■ Number of equity method affiliate: 1

OUTLINE OF SUBSIDIARIES

■ Consolidated subsidiary

Incorporated as	Small and Medium-Sized Company M&A Center Inc.
President	Shigeo Tsuji
Location	Marunouchi-Yaesu Bldg. 5F, 6-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo
Date of founding	February 1, 2001
Business lines	Mediation and brokerage business on transaction of goodwill, assets, capital participation, business tie-ups and M&As, mainly for unlisted companies
Accounts settlement date	January 31 every year
Capital	¥30 million
Shareholding	Wholly-owned subsidiary

■ Consolidated subsidiary

Incorporated as	F&M net CO., LTD.
President	Minori Miike
Location	9-5, Higashi-Gotanda 2-chome, Shinagawa-ku, Tokyo
Date of founding	September 1, 2000
Business lines	Computer and Internet planning and development
Accounts settlement date	March 31 every year
Capital	¥30 million
Shareholding	80% of the shares held by F&M Co., Ltd.

■ Equity method affiliate

Incorporated as	Challenger, Gray & Christmas K.K.
Chairman	Akio Karibe
President	Yutaka Nishino
Location	15-16, Ginza 1-chome, Chuo-ku, Tokyo
Date of founding	February 22, 1999
Business lines	Consulting on outplacements and training for job seekers
Accounts settlement date	March 31 every year
Capital	¥281.15 million
Shareholding	29.7% of the shares held by F&M Co., Ltd.

Annual Non-Consolidated Financial Statements

Balance Sheets

	(¥ million) March 31, 2002	(¥ million) March 31, 2001	(\$ thousand) March 31, 2002
Assets			
Current assets	1,635	2,186	12,293
Cash and cash equivalents	465	1,167	3,496
Trade notes	634	426	4,766
Marketable securities	—	335	—
Other current assets	543	265	4,082
Allowance for doubtful accounts	(7)	(8)	(52)
Fixed assets	3,789	3,065	28,488
Tangible fixed assets	2,018	2,027	15,172
Buildings and structures	1,141	1,157	8,578
Land	729	729	5,481
Other tangible fixed assets	147	140	1,105
Intangible assets	209	134	1,571
Investments and other assets	1,561	903	11,736
Investment securities	485	254	3,646
Investments in subsidiaries & affiliates	182	173	1,368
Bonds issued by subsidiaries & affiliates	50	—	375
Other investments	883	508	6,639
Allowance for doubtful accounts	(40)	(32)	(300)
Total assets	5,424	5,251	40,781

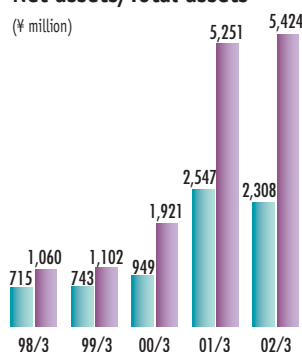
Statements of Operations

	(¥ million) Apr. 1, 2001 to Mar. 31, 2002	(¥ million) Apr. 1, 2000 to Mar. 31, 2001	(\$ thousand) Apr. 1, 2001 to Mar. 31, 2002
Sales	3,562	3,554	26,781
Cost of sales	2,225	1,392	16,729
Gross margin on sales	1,337	2,161	10,052
Selling, general, and administrative expenses	1,476	1,499	11,097
Operating income (loss)	(138)	662	(1,037)
Non-operating income	28	46	210
Non-operating expenses	45	52	338
Ordinary income (loss)	(155)	656	(1,165)
Extraordinary losses	61	74	458
Income (loss) before income taxes	(216)	582	(1,624)
Income taxes	8	301	60
Income tax — deferred	(101)	(27)	(759)
Net income (loss)	(124)	308	(932)
Retained earnings brought forward	493	258	3,706
Unappropriated retained earnings for the period	368	566	2,766

	(¥ million) March 31, 2002	(¥ million) March 31, 2001	(\$ thousand) March 31, 2002
Liabilities and shareholders' equity			
Current liabilities	1,136	874	8,541
Trade notes and accounts payable	79	—	593
Short-term borrowings	52	35	390
Current portion of long-term debt	546	281	4,105
Other accounts payable	198	182	1,488
Taxes payable	25	191	187
Reserve for employees' bonuses	73	118	548
Other current liabilities	161	64	1,210
Noncurrent liabilities	1,979	1,830	14,879
Long-term debt	1,841	1,693	13,842
Reserve for retirement benefits	—	4	—
Other noncurrent liabilities	138	132	1,037
Total liabilities	3,116	2,704	23,428
Shareholders' equity	2,308	2,547	17,353
Capital	826	826	6,210
Additional paid-in capital	1,044	1,044	7,849
Legal reserve	13	7	97
Retained earnings	478	668	3,593
Voluntary reserve	100	100	751
Reserve for accelerated depreciation	9	2	67
Unappropriated retained earnings for the period	368	566	2,766
Unrealized losses on available-for-sale securities	(54)	—	(406)
Total liabilities and shareholders' equity	5,424	5,251	40,781

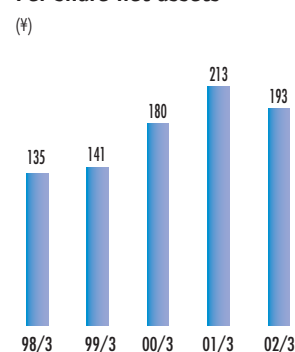
Net assets/Total assets

(¥ million)



Per share net assets

(¥)



Stock Information

(as of March 31, 2002)

Number of shares authorized for issue: 42,000

Number of shares issued and outstanding: 11,936

Number of shareholders: 843

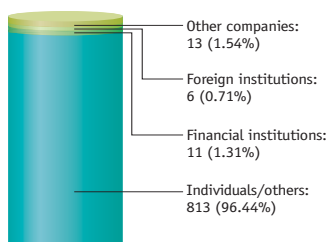
Principal shareholders:

Name	Number of shares owned	% of total
Ichiro Morinaka	6,778	56.79
UFJ Trust and Banking Co., Ltd. (Trust Account A)	529	4.43
BBH for Fidelity Japan Small Company Fund	370	3.10
The Nomura Trust and Banking Co., Ltd. (Trust Account)	288	2.41
Mikie Kudo	220	1.84
The Chase Manhattan Bank, N.A., London	218	1.83
The Mitsubishi Trust and Banking Corp. (Trust Account)	198	1.66
Osaka Securities Finance Co., Ltd.	127	1.06
(Trustee) Mitsui Asset Trust & Banking Co., Ltd.	119	1.00
F&M Employee Shareholding Association	95	0.80

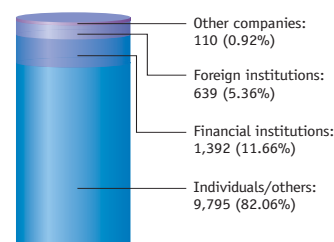
*As of January 15, 2002, the Toyo Trust & Banking Co., Ltd. changed its trade name to UFJ Trust and Banking Co., Ltd.

Share distribution

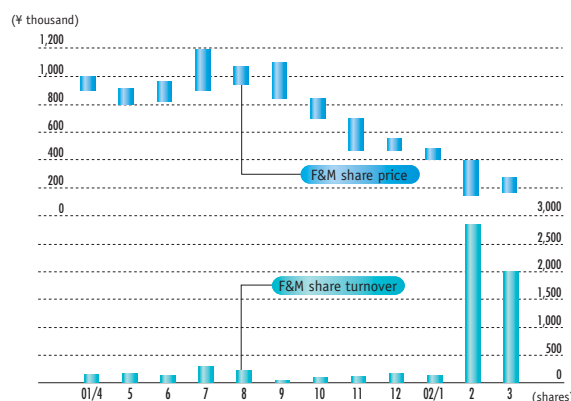
(By type of shareholder)



(By number of shares owned)



Stock prices (high and low) and turnover



Company Outline

(as of March 31, 2002)

Established: 1990
Capital: ¥826 million
President: Ichiro Morinaka
Employees: 258
Business lines: Book-keeping for sole proprietorships, information provision service for small and medium-sized companies, ASP business operations

Offices: Osaka Head Office, Tokyo Head Office, Nagoya Branch, Fukuoka Branch, Sendai Branch, and Sapporo Branch
Average age of employees: 28.9

Stock Information

Account settlement date:	March 31
General meeting of shareholders:	June
Dividend entitlement date:	March 31
Interim dividend entitlement date:	September 30
Transfer agent:	The UFJ Trust and Banking Co., Ltd. 4-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Agent's office: (Contact):	The UFJ Trust and Banking Co., Ltd. 6-3, Fushimicho 3-chome, Chuo-ku, Osaka 541-8502 Tel: +81-6-6229-3011
Handling offices:	The UFJ Trust and Banking Co., Ltd. Head Office and Branches nationwide
Stock exchange listed:	Osaka Securities Exchange NASDAQ Japan Market
Publication of corporate announcements:	The Nihon Keizai Shimbun
Contact:	+81-3-5683-5111
Tel (toll-free; available only within Japan):	0120-24-4479 (Securities Division, Tokyo Head Office) 0120-68-4479 (Securities Division, Osaka Branch Office)
URL:	http://www.ufjtrustbank.co.jp/

Contact

Osaka Head Office:	23-38, Esakacho 1-chome, Suita, Osaka 564-0063 Tel: +81-6-6339-7177 Fax: +81-6-6339-7184
Tokyo Head Office:	10-25, Higashi-Gotanda 5-chome, Shinagawa-ku, Tokyo 141-0022 Tel: +81-3-3446-8211 Fax: +81-3-3446-8219
Nagoya Branch:	8-13, Sakae 2-chome, Naka-ku, Nagoya 460-0008 Tel: +81-52-223-1611 Fax: +81-52-223-1651
Fukuoka Branch:	3-6, Hakataeki-Minami 1-chome, Hakata-ku, Fukuoka 812-0016 Tel: +81-92-432-4790 Fax: +81-92-413-3139
Sendai Branch:	2-3, Tsutsujigaoka 4-chome, Miyagino-ku, Sendai 983-0852 Tel: +81-22-292-4011 Fax: +81-22-292-4015
Sapporo Branch:	9-1, Minami-ichijo Nishi 8-chome, Chuo-ku, Sapporo 060-0061 Tel: +81-11-223-0311 Fax: +81-11-223-0322

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