

Clear Advantages for **Growth**



Annual Report 2005
for the year ended February 28, 2005

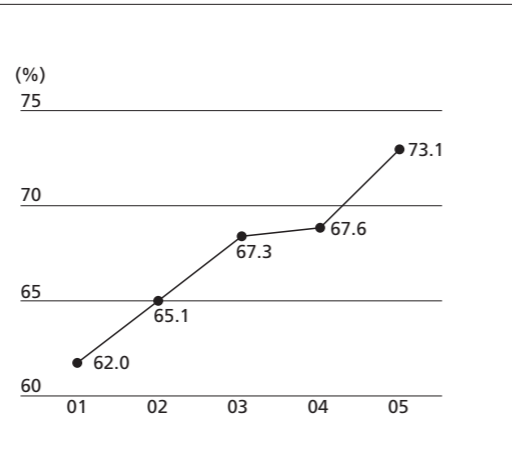
OMC Card, Inc.

Making Consistent Choices Has Fueled Our Growth.

Non-Daiei Transaction Ratio

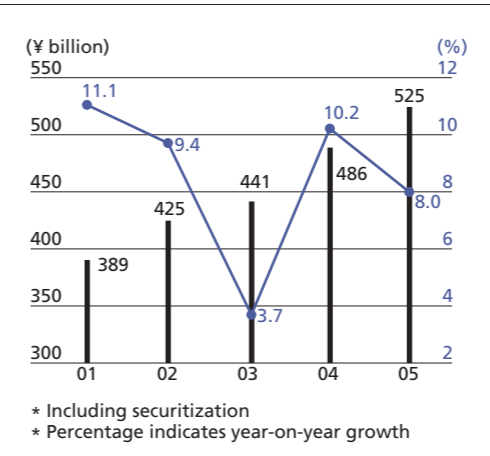
90

Thanks to the aggressive promotion of co-brand and affinity cards, the percentage of transaction volume by credit card and personal credit contracts other than through Daiei stores topped 70%.



Actual Operating Receivables

We are focusing all of our management resources on the credit card business with the goal of maximizing our growth potential.



80

60 %

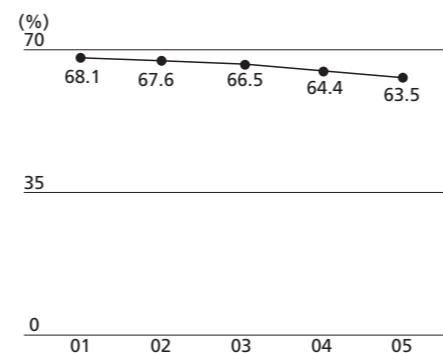
Return on Equity (ROE)

0 -0.2

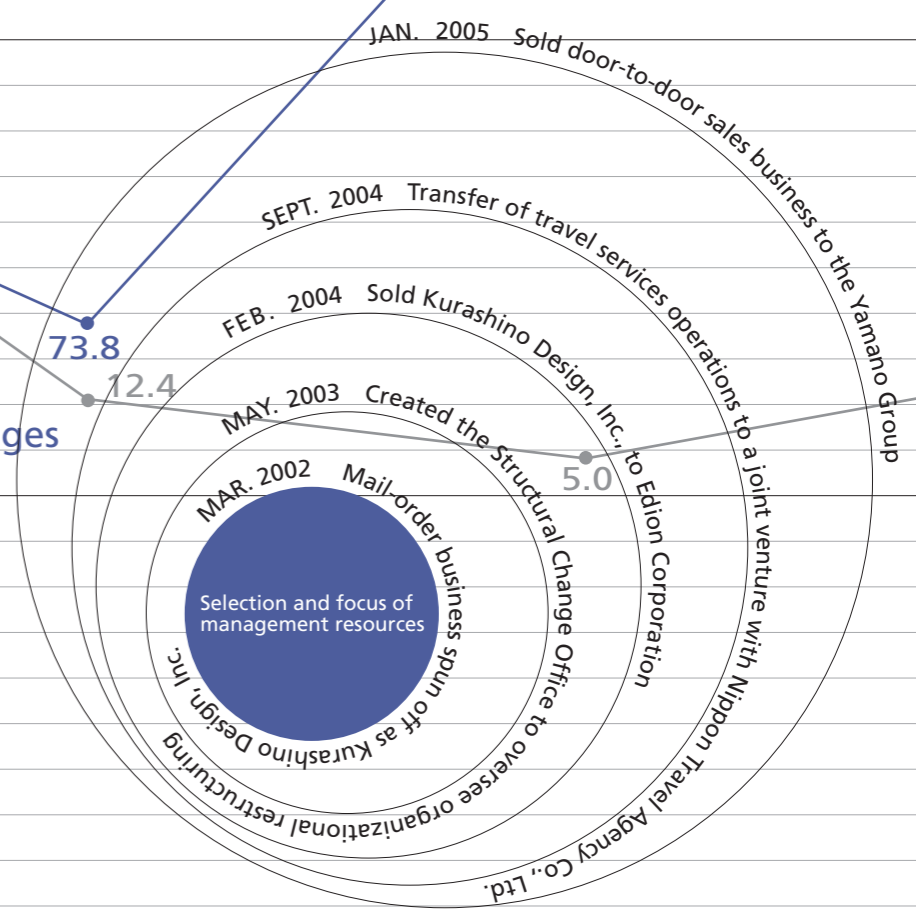
Card-Related Business Operating Revenue Ratio

Card User Rate

By offering a wide range of services, we aim to become the one and only company that cardmembers utilize as their most favored partner over their lifetimes.



Structural Changes (2002-2005)



60

-60

1998

1999

2000

2001

2002

2003

-165.3

70

60 %

0

-60

60

70

80

90

100 %

OMC Card aims to help customers enjoy more rewarding lives by offering them value in the form of timely products and information relevant to the various aspects of their daily lives. We are committed to becoming our customers' best partner and adding value throughout the Customer Value Chain.



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Our Choices on Key Initiatives Are Soundly Backed

Initiatives to Expand Operating Income

✓ Concentrating on the Credit Card Business
Pursuing a Comprehensive Financial Business

1st Priority on the Credit Card Business

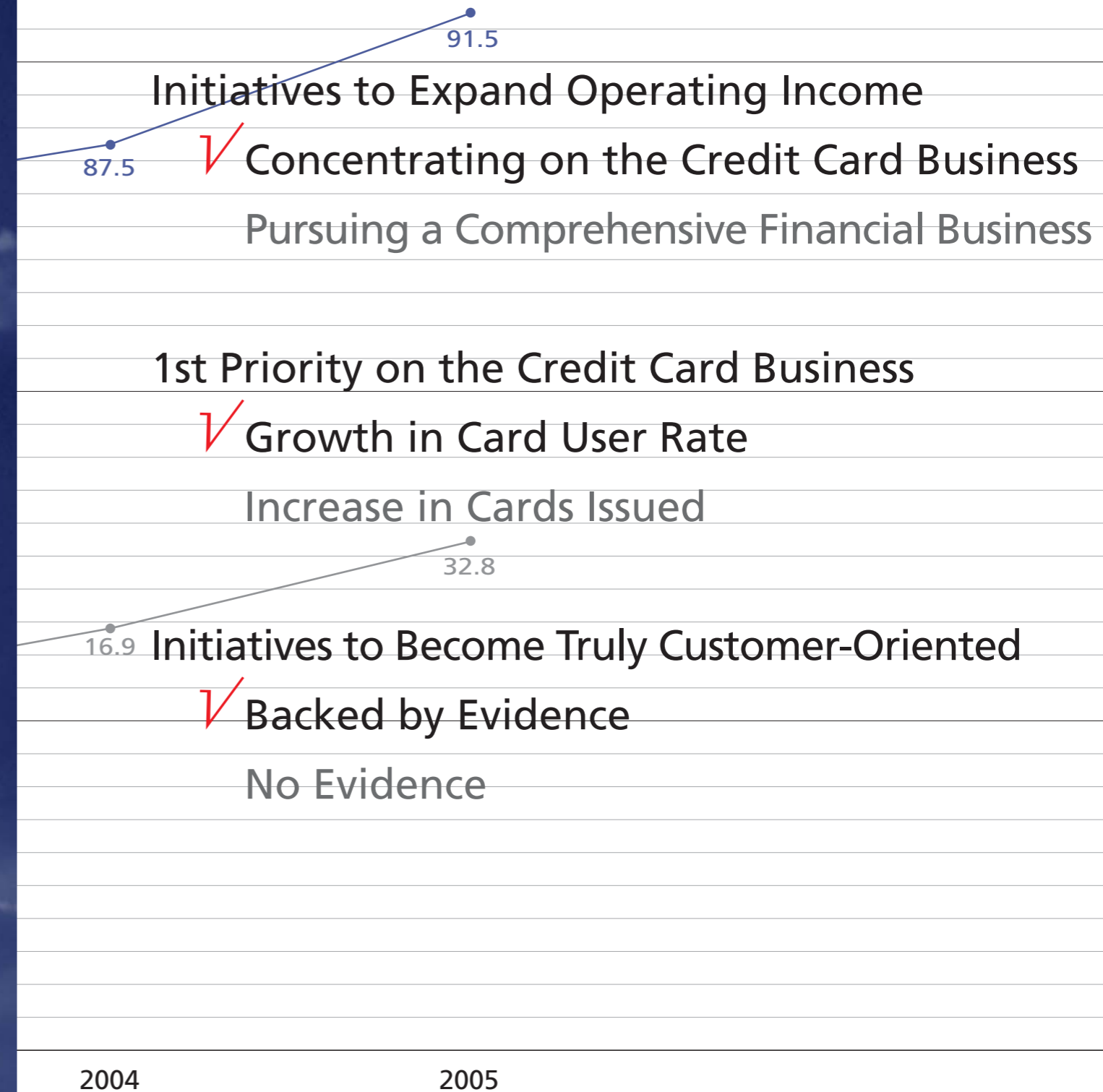
✓ Growth in Card User Rate

Increase in Cards Issued

Initiatives to Become Truly Customer-Oriented

✓ Backed by Evidence

No Evidence



2004

2005

Disclaimer Regarding Forward-Looking Statements

This annual report contains forward-looking statements about OMC Card's current plans, outlook, strategies, and beliefs based on management's assumptions in light of current information. Actual results may be significantly affected by various factors, including but not limited to, changes in the Japanese economy and OMC Card's business environment.

Financial Highlights

OMC Card, Inc. (formerly Daiei OMC, Inc.) and Consolidated Subsidiaries
Years Ended February 28, 2005, February 29, 2004 and February 28, 2003

	Millions of Yen (Except per Share Amounts)			Thousands of U.S. Dollars (Except per Share Amounts)
	2005	2004	2003	2005
FOR THE YEAR:				
Total operating revenues	¥139,179	¥126,936	¥121,800	\$1,338,260
Operating income	27,740	17,723	19,963	266,731
Income before income taxes and minority interests	27,378	13,851	3,762	263,250
Net income.....	15,823	6,107	1,593	152,144
AT YEAR-END:				
Total assets	¥610,975	¥621,109	¥530,622	\$5,874,760
Long-term debt	235,985	176,289	29,242	2,269,087
Total stockholders' equity	56,445	40,066	32,113	542,740
PER COMMON SHARE AMOUNTS (yen):				
Basic net income.....	¥ 74.25	¥ 28.91	¥ 7.54	\$ 0.71

Notes: 1.All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥104=U.S.\$1, the approximate rate of exchange as of February 28, 2005. Refer to Note 1 of the Notes to Consolidated Financial Statements.

2.The amount of basic net income per share is based on the weighted-average number of shares of common stock outstanding during each year.

A Message from the President

Fiscal 2005 in Review

During the fiscal year, ended February 28, 2005, the credit card business recorded robust results, and the structural reform measures implemented since 2004 along with cost restructuring helped prompt a 9.6% increase in total operating revenues, to ¥139,179 million. Ordinary income rose 55.0%, to ¥27,900 million, and net income climbed 159.1%, to ¥15,823 million, both of which were record highs.

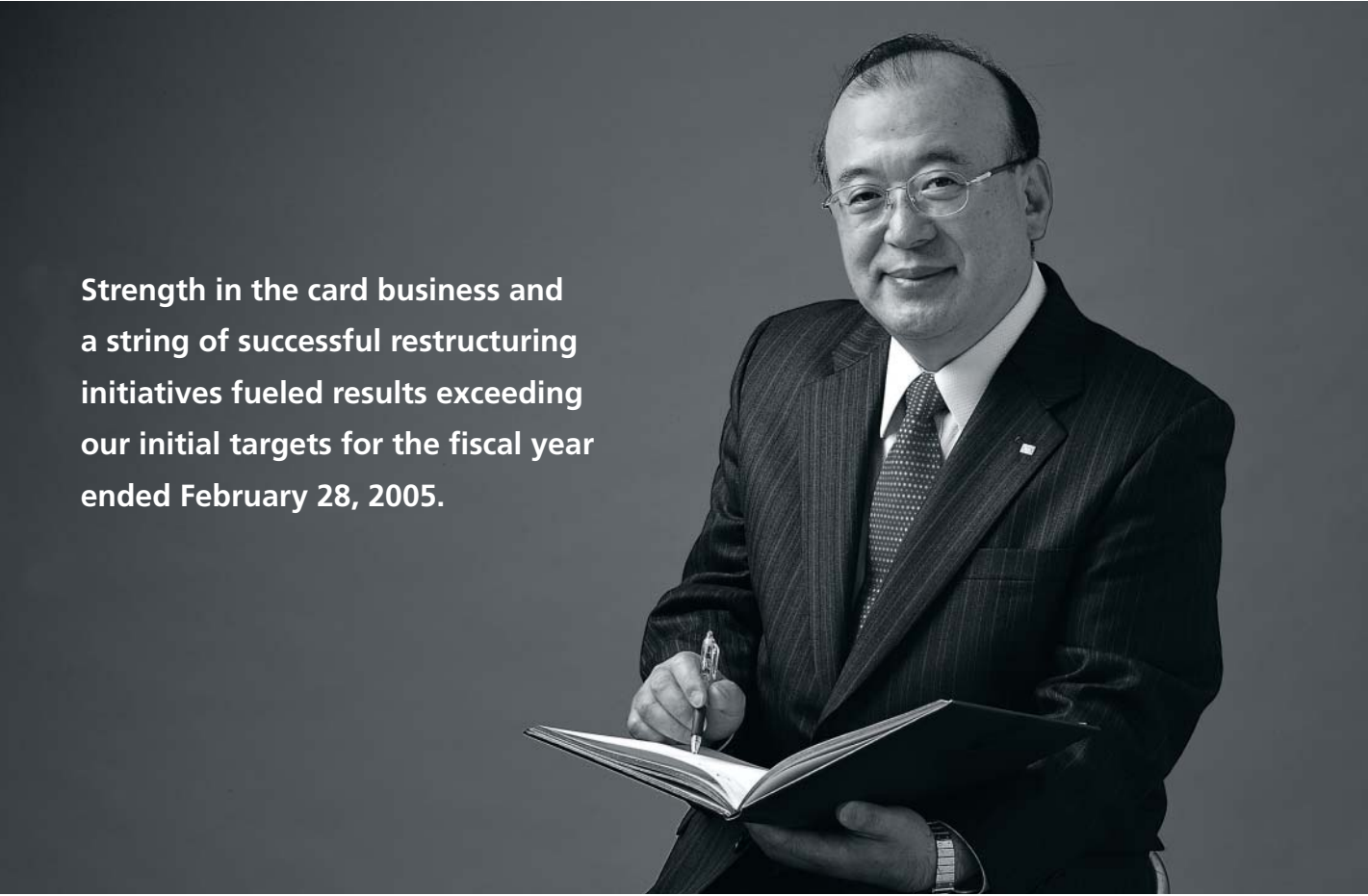
In the card shopping business, weak card transactions at Daiei stores, down 16% year on year, were offset by 10% growth in non-Daiei transactions, thanks largely to strong transaction volume from cards issued jointly with other companies and increasing card use in the household account settlement market. In cash advance services, OMC Card's on-site issuances of credit cards offering cash advance functions boosted growth in new accounts, and measures aimed at increasing transactions among preferred customers proved successful. Consequently, card use rose 18.3% year on year, buoying profits.

OMC Card worked to increase its cardholder numbers with a focus on efficient solicitation linked to usage. As a result, applications were received for 1,437 thousand new cards, and the number of cardholders increased by 208 thousand during the term, to 7,528 thousand.

Although operating receivables rose steadily, the Company utilized securitization and other direct financing measures and made other diligent efforts to further enhance asset efficiency. As a consequence, total assets at the term-end decreased 1.6% year on year, to ¥610,975 million. Also, the stockholders' equity ratio increased 2.7% year on year, to 9.5% at the end of fiscal 2005 as a result of the net income posted during the term.

In light of these efforts, OMC Card revived dividend payments, which totaled ¥10 per share in the fiscal year.

Looking ahead, OMC Card is firmly committed to further increasing profitability while enhancing the strengths of its underlying financial structure. We thank our shareholders and associates for their unwavering support.



Strength in the card business and a string of successful restructuring initiatives fueled results exceeding our initial targets for the fiscal year ended February 28, 2005.

7.5 million cardholders

351 thousand OMC affiliated merchants

Total operating revenues: ¥139,179 million, up 9.6%

Ordinary income of ¥27,900 million and net income of ¥15,823 million, both record highs

Card user rate of 63.5% remains at record high level

9% increase in outstanding card shopping and card cashing operating loan balance (after ABS adjustments)

Increase in non-Daiei transaction ratio to 73.1% (Percentage of card shopping transactions other than at Daiei stores)



Reinforcing mechanisms for effective operations is the key for combating fiercer competition.

Introducing a New Business Executive System to Accelerate Decision Making

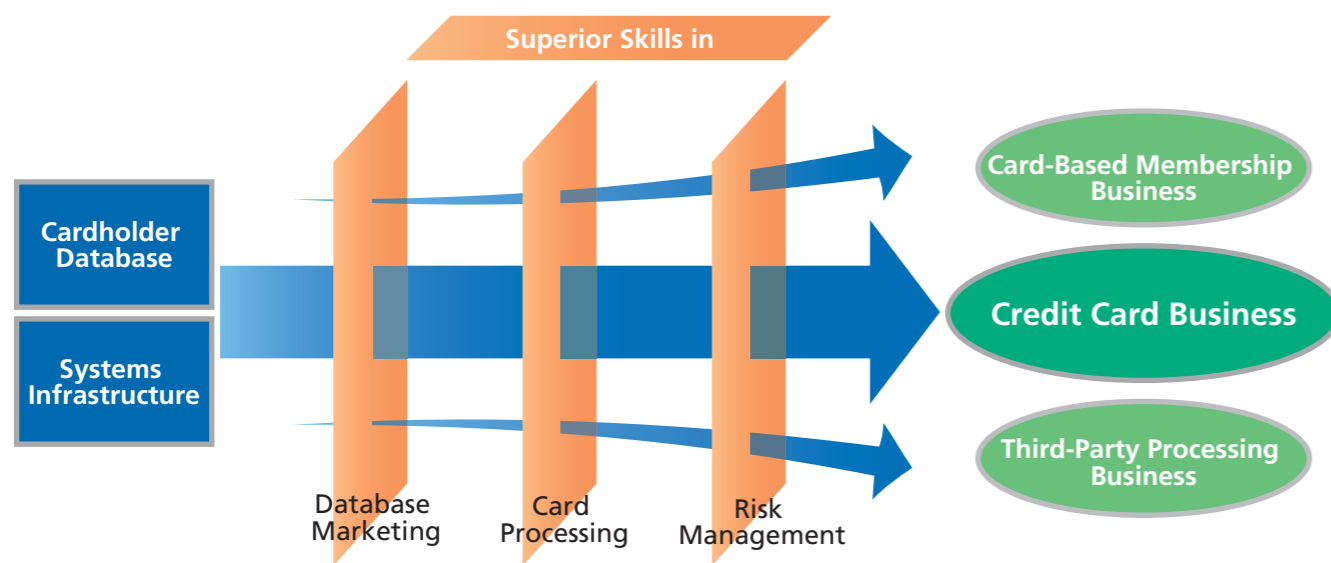
OMC Card has been planning for some time to introduce an executive management system in order to further strengthen its competitive position and more effectively compete against the growing number of companies from outside its field that are now entering the card services business. Namely, under a new executive management system, the Company's directors will focus on basic policymaking and oversight, while executives selected by the directors will be given broad jurisdiction for quickly enacting policy under a new business executive system.

At the 79th regularly scheduled general shareholders meeting held on May 26, 2005, our parent company, The Daiei, Inc., now working to quickly implement a revitalization plan, submitted a proposal to introduce new executive

business system in fiscal 2006. Under the plan, all directors of OMC Card will become corporate officers, and the Board of Directors will consist of three directors from OMC Card and four external directors, including both of CEO and COO of Daiei, and one representative each from Marubeni Corporation and Advantage Partners, Inc.

Looking ahead, the Board of Directors will make diligent efforts to further bolster OMC Card's enterprise value while effectively using its database marketing and CRM tools, among of the best in the industry, to bolster Daiei's marketing capabilities, in turn increasing OMC Card's own operating revenues. In addition, OMC Card will take advantage of business opportunities to expand alliances and broaden sales channels using Marubeni's and Advantage Partner's own channels.

OMC Card's Business Strategy



Structural Reform Making Headway

The Company has pursued structural reform in two broad areas. The first is business reform, which focuses on the realignment and restructuring of peripheral businesses, and the second is cost restructuring through a rethinking of business processes on a Companywide basis.

In the first category, OMC Card concluded a bold series of restructuring measures in fiscal 2005. For example, Kurashino Design, Inc., a mail-order company, was sold to the Edion Group in February 2004, the travel business was transferred to a joint venture with Nippon Travel Agency Co., Ltd., in September 2004, and the door-to-door sales business was sold to the Yamano Group in January 2005. These initiatives have reaped large rewards in the form of an annual reduction in costs of ¥2.5 billion. Nonetheless, rather than be content with these measures, the Company has been making concerted efforts to further improve the quality of its services for customers and increase card user

rates, by entrusting many operations that it previously handled itself to specialist companies and forging stronger alliances. We believe such measures aimed at strengthening our CVC alliances will not only bolster profits, but expand the scope of our business through new tie-ups.

Second, in cost restructuring, the Company has been striving to increase efficiency and productivity by radically rethinking each of its business processes. We have set the clearly defined goal of achieving a reduction in operating costs (excluding provision for doubtful accounts) of approximately ¥6 billion, or 10% over the next three years, and we fully intend to attain this target. Cost-cutting efforts so far have already shown some nascent success in fiscal 2005. The Company has been gradually strengthening its underlying foundations and putting in place the mechanisms to reap considerable benefits from lower costs.

Our employees have a long tradition of putting customer interests first and foremost in all the services they provide.



Keen Focus on Customer Interests Directly Driving Growth

Our underlying approach in all businesses endeavors is to satisfy the customer, whether through our vision of CVC, the call center operations through which we communicate with them, the handling and management of personal data, the fast on-site card issuing services for which we are renowned, or in developing card-based membership business that rely on database management.

For example, more than 10 years have passed since OMC Card launched its pioneering fast, on-site credit card issuing service, a concept developed to meet the needs of customers who want immediate access to credit. In the early stages, the Company had to alter its system designs and overcome difficulties, such as the risk of improper card use. However, after a period of trial and error, we created a service that is unmatched by any of our competitors.



OMC Card aims to be a unique company based on the unmatched strengths of its OMC services and its independent business strategies.

To cite another example, the card-based membership business was inaugurated in 2002 to forge partnerships with customers throughout their lifetimes. The business furnishes products, information, and services best suited to each customer's needs. As a result, the Company has been able to make maximum use of its database marketing skills, better promote credit card use, and adopt card strategies along with its alliance partners.

If we had not been inspired by the will to satisfy our customers—an integral part of our operations since the outset—we would not have been able to develop the exemplary services for which we are so well known today.

Citing OMC Card's corporate culture and consistently diligent efforts to satisfy its customers, JMA Consultants Inc. (JMAC) officially certified the Company as compliant with Customer Satisfaction Certification Standards (CS Certification) in February 2005. We are the first Japanese company to receive such certification. Moreover, in March 2005, the Ministry of Economy, Trade and Industry (METI) awarded the

Company its 2004 METI Minister's Award for Exemplary Consumer Focus.

We intend to continue working tirelessly to satisfy the needs of our customers and reflect this goal as quickly as possible in all our business practices.

Operating Environment and New Growth Initiatives

Companies in the credit card industry face intense competition today as mega-banks forge alliances and joint ventures, companies from other sectors enter the fray, and the forces of realignment extend beyond the boundaries of the industry.

However, card companies are penetrating the household account settlement market as consumers increasingly use cards to pay their medical bills and their electricity, gas, water, and other public utility bills. With the inroads being made by IC cards and electronic money, a truly cashless society is developing. In turn, we expect the steadily growing credit card market to continue on its expansionary course.

Meanwhile, consumer awareness of the need for the protection of personal data has been rising rapidly since the full implementation of the Personal Information Protection Law in April 2005. However, many cases of counterfeiting and other credit card crimes have come to light and drawn attention to social problems associated with the cards.

OMC Card sees real opportunities from the daily changes now engulfing the industry and the severe competitive conditions it now faces.

This is because even though credit card companies are fighting for market share and actively pursuing larger membership bases, OMC Card has built unique business foundations unrivaled by its peers and is confident it can supply original, value-added services through its OMC card.

OMC Card has amassed considerable experience as a retailer-related credit card services provider and derives strength from its card processing services as well as its concept of keenly focusing on customer interests. The Company has used these advantages to develop the fastest credit card issuing service in the industry (15 minutes) and respond effectively to the needs of its customers through database management. We will continue working in alliance with our business partners to offer the crucial services that customers will need throughout their lives.

OMC Card became the first company in the retail-related credit card industry to receive the Privacy Mark from the Japan Information Processing Corporation for providing customers with convenience and safety in their day-to-day credit card transactions. The Company is making earnest efforts to ensure that personal customer data is fully protected and is further strengthening its various security systems.

We are confident that the fruits of our efforts to date and our future endeavors will boost earnings and enterprise value and provide stable returns for our shareholders.

We thank you, our shareholders, for your ongoing support and ask for your trust and advice as we work to meet the challenges and opportunities ahead.

June 2005

Hiromichi Funahashi
President and Representative Director

Corporate Governance

Basic Concepts behind Corporate Governance

OMC Card recognizes its social responsibility to ensure honesty and integrity in its business planning and operations by building solid and trusting foundations with its stakeholders. Consequently, with a focus on further enhancing trust, the Company formulated the Corporate Code of Ethics as guidelines for its business activities. To serve as the foundation for compliance with good corporate governance practices, the Compliance Committee was founded, and a director responsible for the compliance was appointed. The aim is to consistently abide by the law and thoroughly instill an awareness of good ethical practices in business operations.

In addition, the Company introduced the corporate officer system on May 26, with the objectives of strengthening the Company's decision-making and overall management supervisory functions, on the one hand, and clearly separating from them the day-to-day conduct of business activities, on the other. This management structure is expected to enable the Company to respond quickly and accurately to changes in the operating environment.

Company Mechanisms for Corporate Governance and Internal Regulatory System

The Board of Directors, composed of 7 directors (including 4 outside directors) meets monthly or when deemed necessary in extraordinary session. The Board discusses matters as required by law and business matters.

The Company appoints auditors, and the Auditing Committee is composed of 5 corporate auditors (of which 3 are appointed from outside the Company).

The corporate auditors attend Board of Directors meetings and are privy to information from the Board and other sources. The corporate auditors read and inspect important official documents and conduct audits. In addition, outside auditors have no special relationships with the Company.

The Internal Audit Department conducts audits of operations in each division and reports its findings to the representative directors. Appropriate feedback is furnished to divisions that have been audited.

The Compliance Committee is chaired by a representative director and holds regularly scheduled meetings. The committee deliberates and reports on ethical issues surrounding the company and assures that relevant compliance issues are well known and widely understood by employees. It deliberates and reaches decisions on Companywide compliance issues.

Division managers are responsible for disseminating information and promoting compliance in their respective divisions and nominate appropriate persons as supervisors for personal data and compliance. They oversee and audit compliance practices.

The Compliance Department is in charge of managing and auditing compliance practices, and it provides insight and guidance on compliance to each division. Its findings are reported to the Compliance Committee.

The Customer Satisfaction (CS) Promotion Department works to ensure that personal data is protected through appropriate management and oversight.

Lawyers acting as consultants provide legal compliance checks and advice on important cases.

Tohmatu & Co. is the Company's independent auditor.

Risk Management System

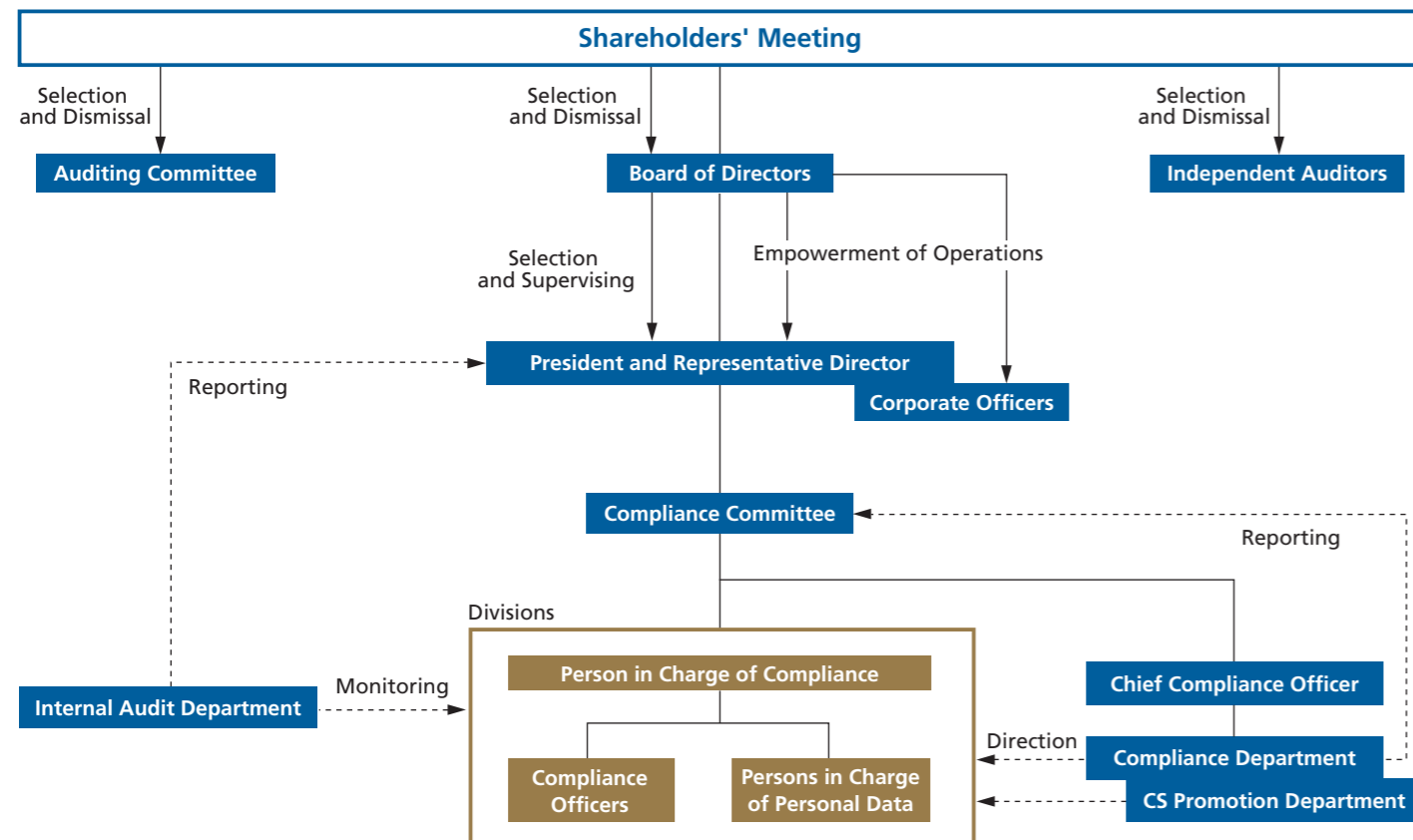
The Company analyzes and gauges data security risks, credit risks, and other principal risks that are inherent to its business operations. The appropriate controls and measures are taken to prevent risk and accurately address problems when they emerge to ensure that business operations are extremely stable and safe, in turn creating sound business platforms and enhancing confidence and dependability.

Focus on Good Corporate Governance Practices

For good corporate governance, the Board of Directors holds periodic meetings. Decisions are made in accordance with legal principles, and business activities are audited as part of initiatives for corporate governance practices.

To effectively safeguard personal data, OMC Card abides by ordinances under the Personal Information Protection Law as well as guidelines, industrial regulations, internal provisions, and other rules. Also, it promotes ongoing internal training and moral instruction on ethics. In addition, employees work to acquire certification as Responsible Personal Data Controllers under the qualification system established by the Japan Consumer Credit Industry Association.

Thanks to these efforts, 96% of employees are now officially certified, and the Company is building appropriate safeguards and controls for personal data at all levels of its business operations. In September 2004, the Company established the independent Personal Data Handling Certification System, which applies to part-time employees. We are actively encouraging employees to acquire certification and creating a strong awareness about the need to protect personnel data in all divisions and departments.



DIRECTORS, CORPORATE OFFICERS, AND CORPORATE AUDITORS

Board of Directors

President and Representative Director	Hiromichi Funahashi
Managing Directors	Toshiharu Nariai Shinji Ebata
Directors (Outside)	Fumiko Hayashi Yasuyuki Higuchi Akira Iwamoto Tetsuro Sakamoto

Corporate Officers

President and Representative Director	Hiromichi Funahashi
Senior Managing Directors	Yuji Yamasaki Yoshiaki Hayashida
Managing Directors	Toshiharu Nariai Noriyoshi Wada Shigeji Yagi Shinji Ebata
Directors	Hiroyuki Namiki Masakazu Yamashita Junichi Naitoh Shinshi Yamamoto Yasuhiro Keira Takeo Mayumi

Full-Time Corporate Auditors

Akira Nakao
Syunji Matsuno

Corporate Auditors

Hiroshi Takeuchi
Yutaka Hori
Yoshiaki Takahashi

Pursuing Our CVC Vision

Cards Promptly Issued in Just 15 Minutes

One of OMC Card's core strengths in card processing is its on-site credit card issuing service. Card applications are promptly processed within 15 minutes at the Company's affiliated merchants and other retailers.

Based on the risk assessment skills of our Company's highly trained personnel, IBIS (our Information-Based Integrated Scoring System) can instantly and accurately accept or reject new credit card applications. Temporary credit cards are issued in as little as five minutes and in 15 minutes on average, the fastest time in the industry.

Our credit assessment system uses a neural network with built-in learning capabilities. In this way, we maintain the most innovative and advanced assessment model in the industry, a model that adapts and changes to its environment.

OMC Card has been honing and improving its on-site credit card issuing system for more than 10 years.



Formidable Strength in Acquiring New Cardholders

On-Site Credit Card Issuing System: a Highly Effective Solicitation Tool

OMC Card has been honing and improving its on-site credit card issuing system for more than 10 years.

Its services meet the needs of customers wanting to use credit cards straight away, and enable affiliated merchants to instantly generate higher sales by increasing in credit card usage. In this way, our services meet the needs of both cardholders and merchants.

In the fiscal year ended February 28, 2005, the Company focused its resources on enhancing credit card use from the point at which customers are signed up. At soliciting counters in affiliated stores, representatives not only explain card applications to consumers, but they outline various approaches to card use. Consumers learn how they can use their new cards on the same day they apply and are told about monthly user discounts, special privileges, ETC (electronic toll collection) Card use, the benefits of paying public utility fees with cards, and other advantages.

As a result, card user rates are excellent. For example, 51% of cardholders use their cards on the first day and 65% in the first month.

Looking ahead, the Company will work diligently to increase overall card use by expanding its network of instant card issue locations to retailers other than Daiei.

By comparison, the first-day card user rate is 20% to 30% and annual card user rate is 34% to 56% at other credit card companies.

Active Promotion of On-Site Issued Cards with Cash Advance Function

The year before last, we added a cash advance function to cards issued on-site, which had previously only been usable for purchases. When this demonstrated that associated risks, for instance of criminal usage, were no higher than normal, we began actively promoting this instant cash advance function in the fiscal year ended February 28, 2005.

As a result, we saw an increase of 120 thousand in new small-scale customers. The balance of cash advance assets rose by around ¥45 billion, and around 40% of this came from new customers.

While cash advances are an important source of profit for us, this is a balance sheet-based business which requires a careful assessment of risks.

The Company aims to build a low-risk portfolio by encouraging use by a broad spread of small-scale customers, carefully controlling the average exposure per customer.

Reference:

1. Annual card user rate = active cardholders / total cardholders
2. The average card user rate for bank-affiliated card companies is among 40% and that for of retail-affiliated companies is about 50%.

Pursuing Our CVC Vision

One-on-One Marketing

Furnishing maximum value to each one of our cardholders requires gaining an accurate understanding of their needs and effectively responding to them. OMC Card aims to communicate with customers on a one-on-one basis.

480 Trillion Message Combinations

Personal messages tailored to each cardholder's personal attributes, card use patterns, and other particulars are supplied to cardholders in their monthly account statements. There are 480 trillion possible permutations of these messages.



OMC Card aims to communicate with customers on a one-to-one basis.

Promoting Database Marketing

Co-Brand Card Strategy: Marketing Solution Partner

OMC Card developed a highly efficient system for collecting, managing, and analyzing huge amounts of customer data in 1997 in conjunction with a major U.S. computer company. Since then, we have further honed and fine-tuned the Company's database marketing skills. We are currently using the results of our analysis for various types of promotions and policies for stimulating card use, but we now aim to develop this a stage further, and are demonstrating our database marketing power in our card partnership strategy.

OMC Card does not merely issue cards with its partners. Instead, the partner card strategy is a means for developing solutions that allow its partners to more effectively reach their customer base and increase sales.

We use the term "Marketing Solution Partner" to describe this strategy, which develops win-win relationships between the Company and its partners, and offers high value-added cards to customers.

It was as this sort of Solution Partner that we launched the HIMAYARA Card in November 2004. The launch was extremely successful, garnering 35 thousand cardholders in just three months and achieving daily and monthly user rates of over 60%. For retail-affiliated companies, demand is especially high for high-quality database marketing in such areas as customer management, analysis, and product promotion. Only OMC Card can offer these kinds of solutions.

We are strongly promoting the expansion of co-brand cards, targeting companies in the retail industry.



Expanding Card-Based Membership Business (CVC businesses), Offering Personal Messages in Color

OMC Card consistently offers optimal value to each of its cardholders through products, information, and services tailored to each stage in their lives and their personal circumstances. In this way, the Company strives to build partnerships with customers over their lifetimes. Based on these concepts, we commercialized the "Card-Based Membership Business" in 2002. Cardholders receive the best possible data for their personal needs, and the business has been especially well received by our partners for providing low-cost and high-response sales opportunities to them.

For OMC Card, the Card-Based Membership Business generates strong profits through contracts and advertising fees as well as fees from affiliated stores, while it turns cardholders into loyal customers and contributes to increased card usage.

We are now starting to provide card account statements, which are an important tool in the Card-Based Membership Business, in color, making them easier to read and understand, and promoting greater awareness of and responsiveness to our services.

Pursuing Our CVC Vision

10,000 Test Marketing Programs a Year

To increase our capabilities for conducting test marketing programs from 200 to 10,000 a year, we have both expanded our capacity and accelerated processing times. The Company aims to further boost customer satisfaction and card use by quickly translating successful test marketing programs into sales promotions.

Losses from Card Misuse Show Biggest Decline in the Industry

Losses resulting from fraudulent use of the Company's cards were down about 55% year on year in fiscal 2005, the largest decline in the industry. This is a testament to our impressive risk management capabilities.

The Company has developed cutting-edge systems infrastructure for initial assessment, credit monitoring, and collection. We have also invested heavily in these integrated systems to support our marketing efforts.

Building on our superb database marketing and credit management capabilities, the Company's business opportunities are limitless.



For OMC Card, strengthening our database marketing capabilities to meet the diversifying needs of customers is a firm and ongoing commitment.

Increasingly Sophisticated Systems Infrastructure

Expanding Database Marketing System

For OMC Card, strengthening our database marketing capabilities to meet the diversifying needs of customers is a firm and ongoing commitment.

Previously, when appraising test-marketing results, the Company emphasized hypothesis testing and we carried out the analysis manually using statistical analysis software. Consequently, it took considerable time from test marketing to actual implementation. Our new "MARKS" test marketing system focuses on performance, and by automating appraisal processes has reduced the time required, enabling as many as 10,000 tests marketing programs to be appraised in a year. As a result, we can implement many effective sales campaigns at once.

Also, OMC Card has launched a "usage-based interest rate setting system", which flexibly sets interest rates not for each cardholder, but for each transaction. Because this enables the interest rate to be fixed for specific customers by transaction, this allows us to develop campaigns to stimulate usage by cardholders who have not yet used their cards, or which offer preferential interest rates to good customers.

Looking ahead, in tandem with our test marketing, we will make efforts to carry out various analyses to grasp customer needs, and, where these are successful, we will quickly reflect them in sales promotions.

Expanding the Registration Range for Fraud Detection Rules Infinitely

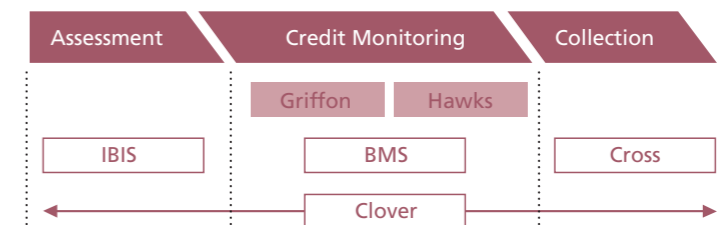
OMC Card can boast the largest reduction in losses from fraudulent credit card use in the industry, down 55% year-on-year, and is proud of its risk management capabilities. However, with techniques used by perpetrators of fraud diversifying and becoming more sophisticated every year, dealing with fraud remains an urgent issue.

This is why OMC Card has introduced the "Griffon Security Manager" system. The system allows us to codify an unlimited number of defrauding techniques and their occurrence patterns into sets of rules, making fraud detection much more accurate than in the past, and allowing us to respond quickly and flexibly to card-related criminal techniques, which are constantly changing.

OMC Card has also upgraded its existing "Hawks Store Manager" system for monitoring fraud at affiliated stores, aiming to leverage the benefits of the new security system.

Going several steps further, to increase operating efficiency, OMC Card has developed and introduced the "Sprint Workflow Master" system, for backup support. This system enables the automated, completely paperless conduct of operations related to data collection as well as trend analysis regarding fraudulent card use, tasks that were formerly performed by hand.

OMC Card's Risk Management Systems



Pursuing Our CVC Vision

Cumulative Charitable Contributions Totaling ¥440 million

OMC Card's business and services are closely intertwined with the community around us.

Taking our strong recognition of this fact as a starting point, the Company has introduced charitable cards aimed at people who have an interest in environmental issues and contributing to society. Cumulative contributions from all of the charitable cards we handle now exceed ¥440 million, one of the highest levels in the industry.

Influential Awards for Corporate Social Responsibility

- Received the Ministry of Economy, Trade and Industry Minister's Award for Exemplary Consumer Focus in 2004
- First company recognized as meeting CS standards by JMA Consultants Inc.

OMC Card recognizes its social responsibilities
as a member of the business community.

One More Way in which We Provide Value

Increasing Charitable Card Issuance



Some 14 years have passed since OMC Card introduced its Earth Friendly Card (formerly named the "OMC Ecology Card") in 1991. Since that time, the Company has provided the means for cardholders to help make a difference in their communities by enabling them to contribute to environmental protection and support groups. Also, in 2003, the Company issued the ATOM Card, the SHIAWASENOWA Card as well as the Happy Mama Card, and other cards aiming to contribute to society.

The Earth Friendly Card lets users choose from 20 different environmental themes for their contributions, including safeguarding the ozone layer, protecting the natural surroundings in the Oze area, and protecting sea turtles. OMC Card donates 0.5% of each card purchase to environmental protection and research in the categories they select.

Funds from the Atom Card are provided to help children fulfill their dreams and build their futures in line with a concept first proposed by Osamu Tezuka, a renowned artist in the field of animation. The Atom Fund Committee, composed of TEZUKA PRODUCTIONS and representatives of OMC Card, decides to which groups to allocate 0.3% of card usage value each year.

In the fiscal year under review, the committee donated ¥3.25 million to five groups: the National Children's Protection Committee (a nationwide group helping children become self-reliant), the Miyakemura Education Committee, and three groups providing disaster relief for the Niigata-Chuetsu Earthquake (the Kawanishmachi Volunteer Coordination Committee, Ojiya City Hall, and Kawaguchi-machi City Hall).

Awards and Certificates of Commendation

OMC Card Receives Recognition for Initiatives Related to Its Customer Value Chain Philosophy Based on Customer Satisfaction (CS).

OMC Card was awarded the All Division Prize, with the highest honors, in the "2004 Excellence as a Customer-Oriented Company" competition by the Minister of Economy, Trade and Industry. Candidates for this award are selected by the Japan Industrial Association according to specified criteria for the superior performance of their customer-oriented systems. Candidate companies chosen are then recommended to the Ministry of Economy, Trade and Industry (METI) and the final selection is made.

OMC Card was selected because of the high evaluation it received for its customer-oriented systems, which are based on its Customer Value Chain philosophy.

In addition, OMC Card obtained certification from the Japan Management Association (JMA), as a company taking active initiatives to increase customer satisfaction, for its "Customer Satisfaction Certification Standards." This is the first time this certification has been awarded, and OMC Card is its first recipient.

We believe that OMC Card received the METI award and JMA certification from established authorities in the field of CS not only because of our concern for compliance and environmental issues but also because each of our employees keeps the motto "For the Customers" in mind at all times.

Going forward, we are committed to putting the motto "Creating the Value that Our Customers Expect" into practice and to increasing further our efforts to become their best partner throughout their lifetimes.

Management Discussion and Analysis

Overview Revenues and Earnings

In the fiscal year ended February 28, 2005, as part of its overall structural reform initiatives, OMC Card took several important steps to build a business structure with resources focused squarely on card services.

A total of 22 OMC Plaza outlets were closed. On September 1, 2004, Nichiryō OMC Co., Ltd., a joint venture with Nippon Travel Agency, Co., Ltd., took over control of OMC Card's travel services business, including all 62 remaining OMC Plaza outlets.

On January 1, 2005, OMC Card transferred the business operations of RICCAR Sales, Inc. (currently ORE Co., Ltd.), which sold luxury goods by appointment, to Yamano Holding Corporation along with all shares held in RFC, Inc.

In these ways, the OMC Card Group has strengthened its card business while focusing on its core competencies in database marketing and card processing to expand its card-based membership and third-party card processing businesses.

During the fiscal year under review, OMC Card actively solicited new cardholders in a number of important ways. For example, the Company forged alliances with operators of large retail complexes and membership organizations to create co-brand and affinity cards. Also, we aggressively promoted such popular cards as the "Hello Kitty OMC Card" featuring the extremely popular Hello Kitty character; and the "OMC Postal Savings Joint Card," which is both a debit card for Postal Savings accounts and a credit card.

In addition, OMC Card focused on encouraging increased card use through such activities as continuing its well-received OMC Card Reward Day campaign; inaugurating the New OMC Card 10-Year Anniversary campaign; and offering new cardholders special discount coupons that are immediately redeemable. Moreover, we worked to boost the use of cards to settle household gas and electricity bills and other customer utility accounts with Chugoku Electric Power Co., Inc., Chubu Electric Power Co., Inc., and Saibu Gas Co., Ltd., as part of initiatives for increasing convenience for cardholders.

In the card-based membership business, we strived to secure more strategic alliances and supply products attuned to the age-group and lifestyle needs of members through the use of database marketing. To elevate member services, efforts were especially geared toward enhancing services for home and motoring life.

Our third-party card processing business has been highly praised by clients. These consignment services have been growing steadily, thanks to our wide-ranging menu of options for clients.

With regard to risk management, OMC Card has built extremely accurate evaluation mechanisms using the IBIS (Information-Based Integrated Scoring System) for risk assessment. The Company's credit monitoring practices accurately determine the credit limits of each card member in order to effectively balance risk and profit. Using CROSS (Credit Receivables Optimum Support System), a credit collection system, the Company has strengthened its ability for effective and steady debt collection. Moreover, to combat credit card misuse, we have bolstered credit management systems by installing fraud detection mechanisms, which have greatly curtailed damage resulting from credit card crime.

In the area of fund-raising, OMC Card works to secure long-term fund financing and acquire stable funding through the securitization of credit card receivables. Moreover, the Company has been striving to raise syndicated loans as part of its efforts to diversify fund-raising sources.

Additionally, OMC Card has been focusing on enhancing customer satisfaction, using its many avenues for directly interacting with customers through OMC counters, call centers, and other means. In February 2005, OMC Card became the first company to obtain certification from JMA Consultants, Inc., for meeting Customer Satisfaction Certification Standards.

As a result of such efforts, total operating revenues increased 9.6% year on year, to ¥139,179 million (US\$1,338,260 thousand) in fiscal 2005. Operating income rose 56.5%, to ¥27,740 million (US\$266,731 thousand). Net income surged 159.1%, to ¥15,823 million (US\$152,144 thousand).

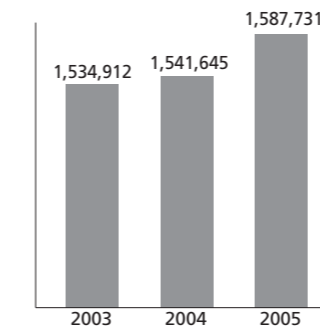
Given these factors, consolidated basic net income per share of common stock increased ¥45.34 (US\$0.44), to ¥74.25 (US\$0.71).

Our analysis of operating revenues, operating expenses, and other income (expenses) is outlined as follows.

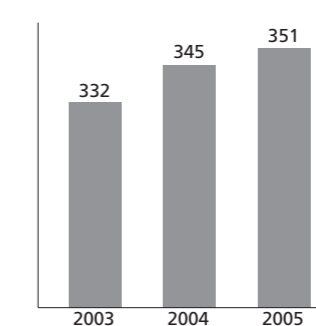
Operating Revenues

Consolidated total operating revenues increased ¥12,243 million (US\$117,721 thousand), to ¥139,179 million (US\$1,338,260 thousand). Growth was mainly attributable to higher personal loan revenues of ¥15,530 million (US\$149,327 thousand) and increased fees from customers and affiliated stores totaling ¥900 million (US\$8,654 thousand).

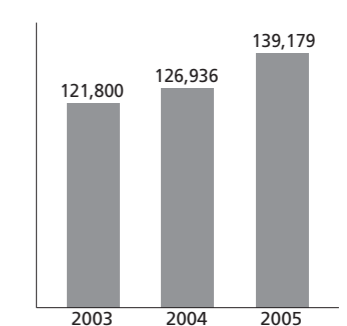
Transaction Volume
(¥ millions)



Number of Affiliated Merchants
(Thousands)



Total Operating Revenues
(¥ millions)



Growth in personal loan revenues stemmed from an increase in new card members as well as growth in the number of affiliated CDs and ATMs. As transaction volume rose 10.9% in the year under review, to ¥551,749 million (US\$5,305,279 thousand), the operating loan balance increased as well.

Fees from customers and affiliated stores increased due to the full-fledged diffusion of the "OMC ETC Card," which meets the rising need for electronic toll collection (ETC) by enabling the automatic payment of expressway toll fees. OMC Card also issues the "OMC Postal Savings Joint Card," as well as several other co-brand and affinity cards. During the past year, OMC Card worked actively to boost card memberships and help to create a new settlement market that would allow cardholders to pay household bills using credit cards. As a result, the transaction volume for credit card contracts rose 1.5%, to ¥843,292 million (US\$8,108,577 thousand).

However, travel business revenues fell ¥1,043 million (US\$10,029 thousand) and profit from merchandise sales was down ¥2,578 million (US\$24,788 thousand), as the OMC Card chose to concentrate resources on its core card business, spinning off the travel division and the merchandise sales division's door-to-door sales business during the fiscal year. Moreover, OMC Card sold off its entire stake in its mail-order company, formerly part of the merchandise sales division.

Operating expenses

Total operating expenses increased 2.0%, to ¥111,439 million (US\$1,071,529 thousand). The gain was mainly attributable to a ¥1,918 million (US\$18,442 thousand) rise in selling, general and administrative (SG&A) expenses.

SG&A expenses increased for the fiscal year under review despite factors that contributed to reductions in expenditures of the OMC Group as a whole, including business restructuring measures, such as the sale of the travel agency and door-to-door sales businesses as well the sale of shares in the mail-order company of the merchandise sales division in the previous fiscal year. The principal reason for the rise in SG&A expenses was an increase in the provision for doubtful accounts accompanying the expansion in operating receivables and other factors.

Other income (expenses)

In the fiscal year ended February 28, 2005, other income (expenses) mainly comprised a ¥2,767 million (US\$26,606 thousand) gain from the reversal of liability for retirement benefits due to the dissolution of Daiei's employees' pension fund (OMC Card and certain subsidiaries were part of the pension plan); a ¥2,667 million (US\$25,644 thousand) gain on sales of investment securities—net; and ¥2,328 million (US\$22,385 thousand) in loss on restructurings connected with the transfer of the travel business and other operations as well as additional factors.

Segment Information Financial services

In financial services, we have issued a number of credit cards aimed at boosting card membership. The "OMC ETC Card" is a specialized credit card for making ETC payments that is meeting surging demand. This is the first card in the industry that permanently waves annual fees. We also issued the "ATOM ETC Card," which features Astroboy in its design and is meant to appeal to a wide range of age-groups; "OMC Gold Card (Hello Kitty)" which commemorates the 30th anniversary of the Hello Kitty character; "SHONAN CITY CARD," a card co-issued with "OSC Shonan City," a major shopping center in the Shonan-Hiratsuka area that is aggressively working to attract a broad customer base; and cards issued through tie-ups, such as the "NAGABUCHI TSUYOSHI CLUB Card," which features a picture of this famous singer performing live; and the "HIMARAYA Card," which offers benefits for consumers of sporting goods. In addition, the number of affiliated stores accepting OMC cards increased to 351 thousand by the end of the fiscal year.

As a result, total operating revenues in the financial services segment increased 14.5%, to ¥135,289 million (US\$1,300,856 thousand).

Other business

In the other businesses segment, total operating revenues declined 55.6%, to ¥3,890 million (US\$37,404 thousand), owing to the transfer of the travel business and door-to-door sales business of the merchandise sales division and the sale of the Company's entire stake in the mail-order company of the merchandise sales division.

Analysis of Financial Conditions

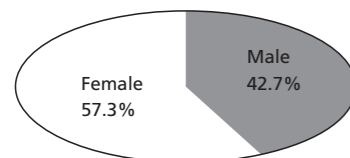
Assets

Total assets stood at ¥610,975 million (US\$5,874,760 thousand) at the end of the fiscal year, down 1.6% from a year earlier. An increase in cash and cash equivalents of ¥27,068 million (US\$260,269 thousand) was offset by a ¥16,423 million (US\$157,913 thousand) decrease in the balance of installment sales in operating receivables due to the securitization of receivables; a ¥13,324 million (US\$128,115 thousand) decline in prepaid expenses and other current assets; and a fall in deferred tax assets of ¥11,007 million (US\$105,837 thousand) due to the reporting of income.

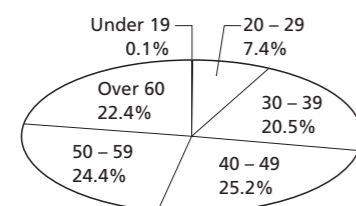
Liabilities

Total current liabilities stood at ¥313,310 million (US\$3,012,597 thousand) at the end of the fiscal year, down 21.3% from a year earlier. The decrease mainly reflected a ¥68,436 million (US\$658,038 thousand) decrease in interest-bearing debt from the repayment of short-term borrowings and a ¥11,652 million (US\$112,038 thousand) fall in deposits received that stemmed from securitizing receivables.

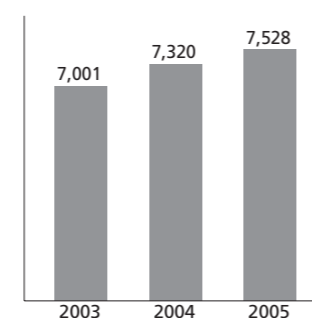
Cardholders by Gender



Cardholders by Age-Group



Number of Cardholders
(Thousands)



Total long-term liabilities stood at ¥58,193 million (US\$559,548 thousand) at the end of the fiscal year, up 31.8%. The increase was due principally to a ¥59,696 million (US\$574,000 thousand) rise in long-term debt.

Stockholders' equity

Total stockholders' equity stood at ¥56,445 million (US\$542,740 thousand) at the end of the fiscal year, up 40.9%. The increase was principally attributable to a rise in net income, which triggered an increase in retained earnings of ¥15,823 million (US\$152,144 thousand).

As a result, net assets per share increased ¥74.60 (US\$0.72) from a year earlier, to ¥264.27 (\$2.54). The stockholders' equity ratio increased 2.7 percentage points, to 9.2%.

Cash Flows

Net cash provided by operating activities totaled ¥35,168 million (US\$338,154 thousand). This consisted mainly of income before income taxes and minority interests of ¥27,378 million (US\$263,250 thousand) and declines in other assets due to the securitization of receivables.

Net cash used in investing activities came to ¥306 million (US\$2,942 thousand). This comprised mainly ¥3,398 million (US\$32,673 thousand) in outflows for purchases of property, equipment and software for enhancing the performance of credit systems. On the other hand proceeds of ¥3,824 million (US\$36,769 thousand) were booked from the sales of investment securities.

Net cash used in financing activities amounted to ¥7,793 million (US\$74,933 thousand). This resulted principally from a decrease in short-term borrowings—net.

As a result of these factors, cash and cash equivalents at the end of the fiscal year increased ¥27,068 million (US\$260,269 thousand), to ¥134,533 million (US\$1,293,587 thousand).

Financial Policies

OMC Card recognizes that building a sound financial structure is its utmost priority. Consequently, we are dedicated to further bolstering our financial foundations and creditworthiness as well as further enhancing our enterprise value.

In the fiscal year ended February 28, 2005, for financing, OMC Card raised new syndicated loans and took other steps to ensure long-term fundraising

and further stabilize finances. In addition, we focused on securitizing credit card receivables and diversifying fundraising through a wide array of sources.

Commercial paper valued at ¥30 billion was issued by the end of the term, and the accumulated outstanding balance stood at ¥390.2 billion for the fiscal year ended February 28, 2005.

Moreover, OMC Card securitized short-term funds, backed by card shopping installment receivables as part of its initiatives to flexibly raise funds from diverse sources.

As a result of these endeavors, three important indicators of financial stability improved significantly during the fiscal year. The direct funding ratio rose 3.9 percentage points from the previous year, to 30.2%. The long-term financing ratio was 67.4%, up 16.9 percentage points, and the fixed-interest financing ratio was 51.4%, up 10.6 percentage points.

Looking ahead, OMC Card will continue to steadily raise funds from financial institutions while diversifying its sources and building solid fundraising foundations premised on an optimal balance.

Furthermore, we will pare down assets, improve management efficiencies, and increase the shareholders' equity ratio by promoting off-balance sheet credit card receivables.

Risk Disclosure

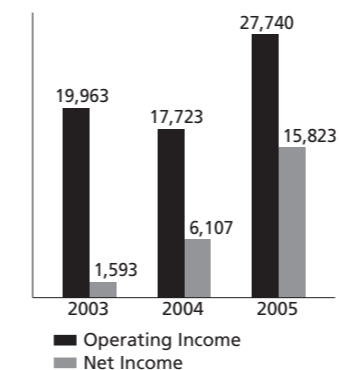
The eight factors outlined as follows potentially have potentially important implications for decisions by investors pertaining to business conditions, accounting conditions, and other matters discussed in this annual report.

In addition, matters discussed in this report concerning the future reflect the judgment of OMC Card and its Group members at the end of the fiscal year under review.

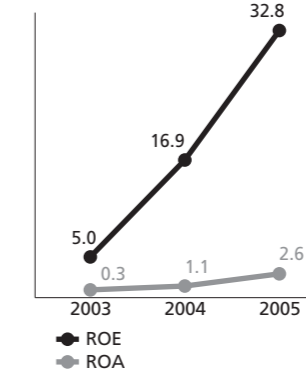
(1) Implications of changing economic conditions

In financial services, the OMC Card Group's principal domain, long-term weaknesses in employment conditions, household income, personal consumption, and other matters may affect credit card and card loan transactions, which comprise core Group operations, and loan repayments. In turn, such factors may depress operating revenues and increase write-off costs, adversely affecting the Group's revenue and profit performance and financial standing.

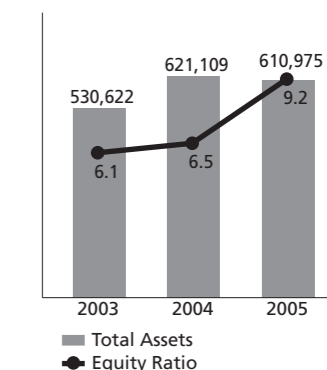
Operating Income and Net Income (¥ millions)



Return on Equity (ROE) and Return on Assets (ROA) (Thousands)



Total Assets and Equity Ratio (¥ millions, %)



(2) Competitive conditions

The credit card industry potentially faces more rigorous competition due to realignment among banks, non-banks, and other firms going beyond their traditional business sector boundaries and entering new credit businesses. Such changes in the competitive environment may erode profitability. Profits and financial standing could deteriorate if the OMC Card Group is not able to maintain its advantageous competitive position.

(3) Implications from deteriorating sales and profits at partner companies

The OMC Group has forged alliances with the Daiei Group and many other companies to provide products and services to its clients. Deterioration in sales and profits at these partner companies could have a potentially detrimental effect on revenue and profit performance and the financial standing of the Group.

(4) Fundraising and interest rates on borrowing

The OMC Group seeks to ensure a stable fund supply by raising funds using diverse methods and increasing long-term debt. However, changing interest rate conditions and eroding profits at Group companies may reduce creditworthiness, leading to poorer borrowing terms, declining loan amounts, and downgraded credit ratings for the Group. These factors can adversely affect Group profits and financial standing.

(5) Legal regulations and related matters

Changes to the Installment Sales Law, Money-Lending Business Control and Regulation Law, or other business laws or the Capital Subscription Law could lead to cost increases related to changing the terms (rules) of customer contracts, notifying customers of changes, altering investment practices, and system investment. In turn, profitability could erode, adversely affecting Group profits and financial standing.

In addition, amendments to the Bankruptcy Law, the Special Mediation Law, the Civil Rehabilitation Law, the Judicial Scrivener Law, and other laws could prompt rising personal bankruptcies and increase costs from irrecoverable debt. These factors may adversely affect Group profits and financial standing.

(6) Information systems

The OMC Card Group uses and operates computer systems and communications networks containing a huge and varied amount of information as part of its credit sales and other services.

The Group is preparing manuals for crisis management that can predict system breakdowns, introducing vaccines for preventing computer viruses, building firewalls, and constructing strong safeguard systems. However, unanticipated damage sometimes occurs to even highly sophisticated and complex systems and communication networks. Moreover, in the case of large earthquakes or other unforeseen disasters, computer systems must be shut down, which could cause major difficulties and could erode confidence in the Group. Such situations would have negative repercussions for profits and the Group's financial standing.

(7) Protection of personal data

The OMC Group possesses a large amount of personal data on its card-holding members. It has appointed personnel to be directly responsible for managing and safeguarding this data and has developed better and stronger means for protecting information. Also, employees are instilled with a great awareness of the need to protect personnel data as part of their training. In January 2003, the Japan Information Processing Development Corp. granted OMC Card its official "Privacy Mark" in recognition of the Company's successful efforts to build mechanisms for protecting personal data. In spite of these initiatives, leaks of personal data could damage the Company's image, in turn reducing cardholder membership, depressing profits, and debilitating the Company's financial standing.

(8) Introduction of impaired accounting

OMC Card has determined to make impaired loss accounting compulsory for fixed assets as of February 2007. If Group companies are required to book impairment losses after gauging future cash flow and other benefits to be derived from their asset holdings, or if the real estate market contracts substantially, profits and the Group's financial standing could deteriorate.

Fiscal 2006 Forecasts

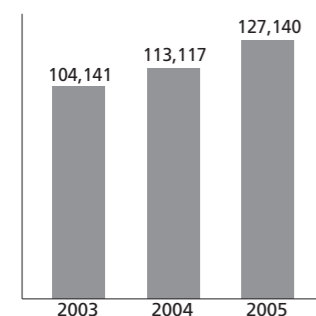
Looking ahead, the improving employment situation and rising household income are expected to buoy personal consumption. Moreover, capital investment should stay on a growth course, backed by rising demand in Japan and abroad and increasing profits. However, public-sector investment is expected to decline, and trends in IT demand and crude oil prices and their potential repercussions for the domestic and overseas economy are cause for concern. These factors underscore the murky outlook for the economy going forward.

Amid these conditions, the credit card business faces greater competitive challenges from banks, non-banks, and other firms that are realigning and crossing their traditional business sector boundaries to enter new fields. The OMC Card Group is forging strategic alliances with partners outside the business. Additionally, the Group is moving forward with structural reform measures concerning costs to build stronger business foundations, concentrating resources in the core card business in order to further bolster operations, and intensifying efforts to expand the membership and the outsourcing businesses.

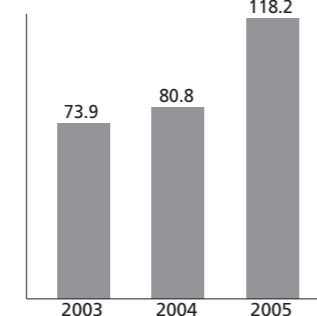
In the area of financing, we remain fully committed to diversifying fund sources and maintaining financial stability.

Based on all of the initiatives outlined above, OMC Card forecasts a 4.5% increase in operating revenues, to ¥145.4 billion, a 16.5% rise in ordinary income, to ¥32.5 billion, and 13.8% gain in net income, to ¥18.0 billion, for fiscal 2006.

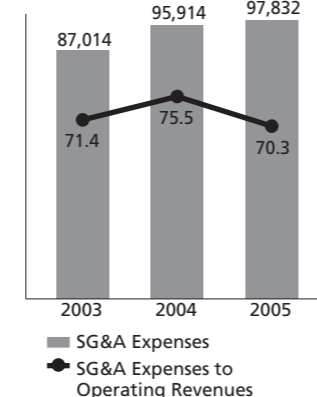
Operating Revenues of Card-Related Business (¥ millions)



Operating Revenues per Employee (¥ millions)



SG&A Expenses and SG&A Expenses to Operating Revenues (¥ millions, %)



Corporate Data

(As of February 28, 2005)

Registered Office

2-1, Ginza 6-chome, Chuo-ku,
Tokyo 104-0061, Japan

Main Office

21-1, Nishi-Gotanda 7-chome,
Shinagawa-ku, Tokyo 141-8511,
Japan
Telephone: 81-3-3495-9639
Facsimile: 81-3-3495-8595

Date of Establishment

September 1950

Number of Employees

1,177

Main Consolidated Subsidiaries

MCS Servicer Co., Ltd.
Servicer

ALPHA OMC Co., Ltd.
Credit sales financing

OMC Solution Co., Ltd.
Credit sales financing

MARUKO DENKILAND CO., LTD.
Real estate management

ACCESS GENERAL Co., Ltd.
Credit sales financing

APEX MORTGAGE Co., Ltd.
Credit sales financing

OMC Card Staff Co., Ltd.
Card solicitation agency

Car License OMC Co., Ltd.
Driving school agency

KYOEIKIKAKU, Inc.

Real estate management

RTS, Inc.

Real estate management

ORE, Inc.

Real estate management

BLOCKLINE, Inc.

Data processing service

ANNEX CAPITAL Co., Ltd

Credit sales financing

Company Accounted for by the Equity Method

NIHON KYOEI SECURITIES Co., Ltd.
Securities

Nichiryu OHC Co., Ltd.

Travel agency

Investor Information

(As of February 28, 2005)

Paid-in Capital

¥43,312,949,026

Common Stock

Authorized: 670,000,000 shares
Issued: 213,561,082 shares
Number of Stockholders: 3,318

Stock Exchange Listing

Tokyo Stock Exchange

Ordinary General Meeting of
Stockholders

The Ordinary General Meeting of
Stockholders is held in May in Tokyo.

Independent Auditors

Tohmatu & Co.
(A member firm of Deloitte Touche Tohmatsu International)

Transfer Agent

The Sumitomo Trust & Banking Co., Ltd.
5-33, Kitahama 4-chome, Chuo-ku, Osaka 541-0041, Japan

Common Stock Price

(Tokyo Stock Exchange)

	2005		2004		2003	
	High	Low	High	Low	High	Low
1st quarter	994	515	308	223	560	316
2nd quarter	1,273	904	420	297	565	390
3rd quarter	1,310	1,004	423	334	421	200
4th quarter	1,357	1,170	525	385	311	249



For further information, please contact: OMC Card, Inc.
21-1, Nishi-Gotanda 7-chome, Shinagawa-ku, Tokyo 141-8511, Japan
Telephone: 81-3-3495-9639
Facsimile: 81-3-3495-8595
Web site: <http://www.omc-card.co.jp/> (Japanese)
<http://www.omc-card.co.jp/eng/> (English)