

Strong Foundations, Enduring Success



ANNUAL REPORT
2006

For the year ended February 28, 2006

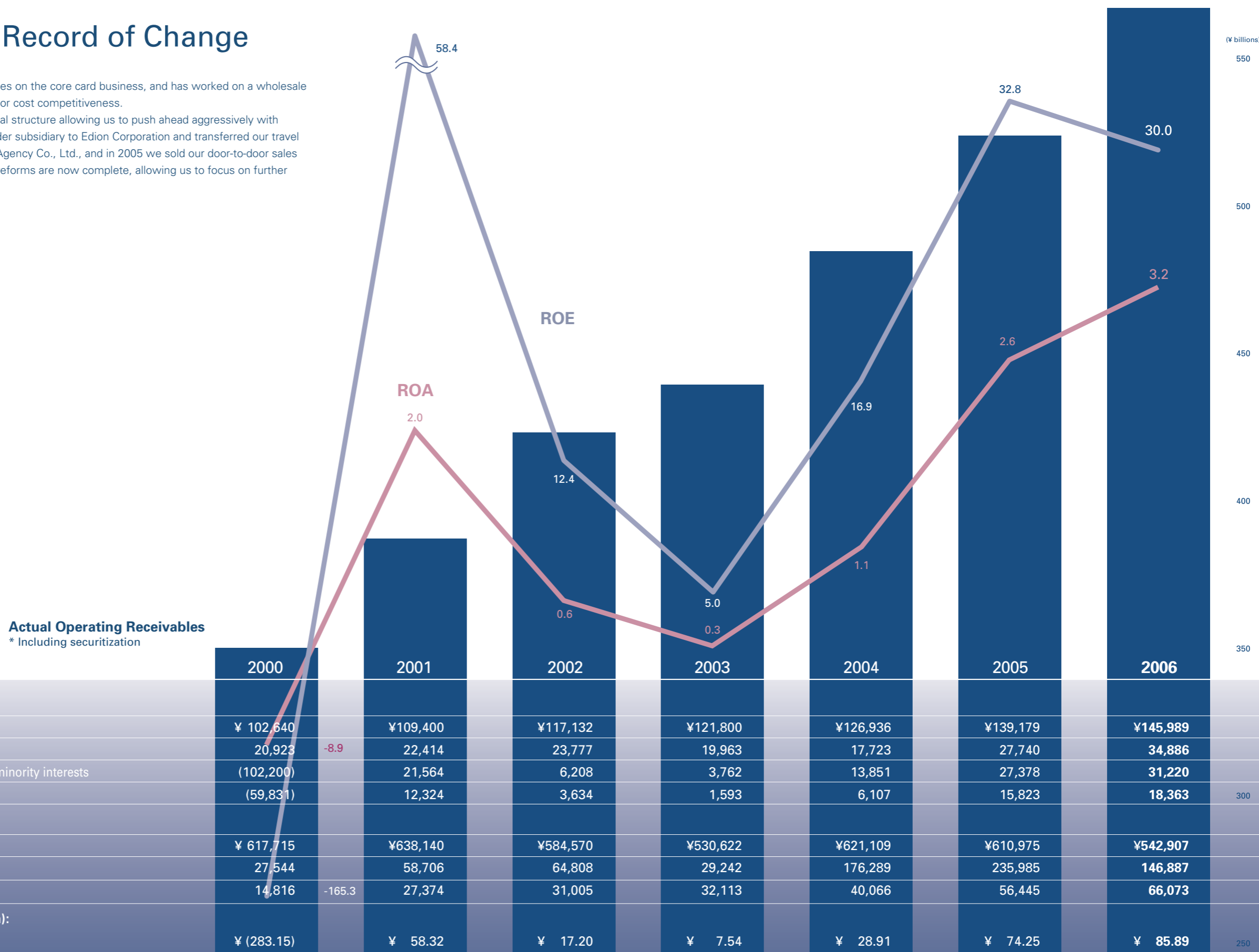


OMC Card, Inc.

Successful Track Record of Change

The Company is focusing management resources on the core card business, and has worked on a wholesale restructuring of the business to maintain superior cost competitiveness.

In 2003, we established a new organizational structure allowing us to push ahead aggressively with structural reforms. In 2004 we sold our mail order subsidiary to Edion Corporation and transferred our travel business to a joint venture with Nippon Travel Agency Co., Ltd., and in 2005 we sold our door-to-door sales business to the Yamano Group. Our structural reforms are now complete, allowing us to focus on further development of the card business.



Millions of Yen (Except per share amounts)

For the Year:

Total operating revenues

Operating income

Income (loss) before income taxes and minority interests

Net income (loss)

At Year-End:

Total assets

Long-term debt

Total stockholders' equity

Per Common Share Amounts (yen):

Basic net income (loss)

(¥ billions)

550

500

450

400

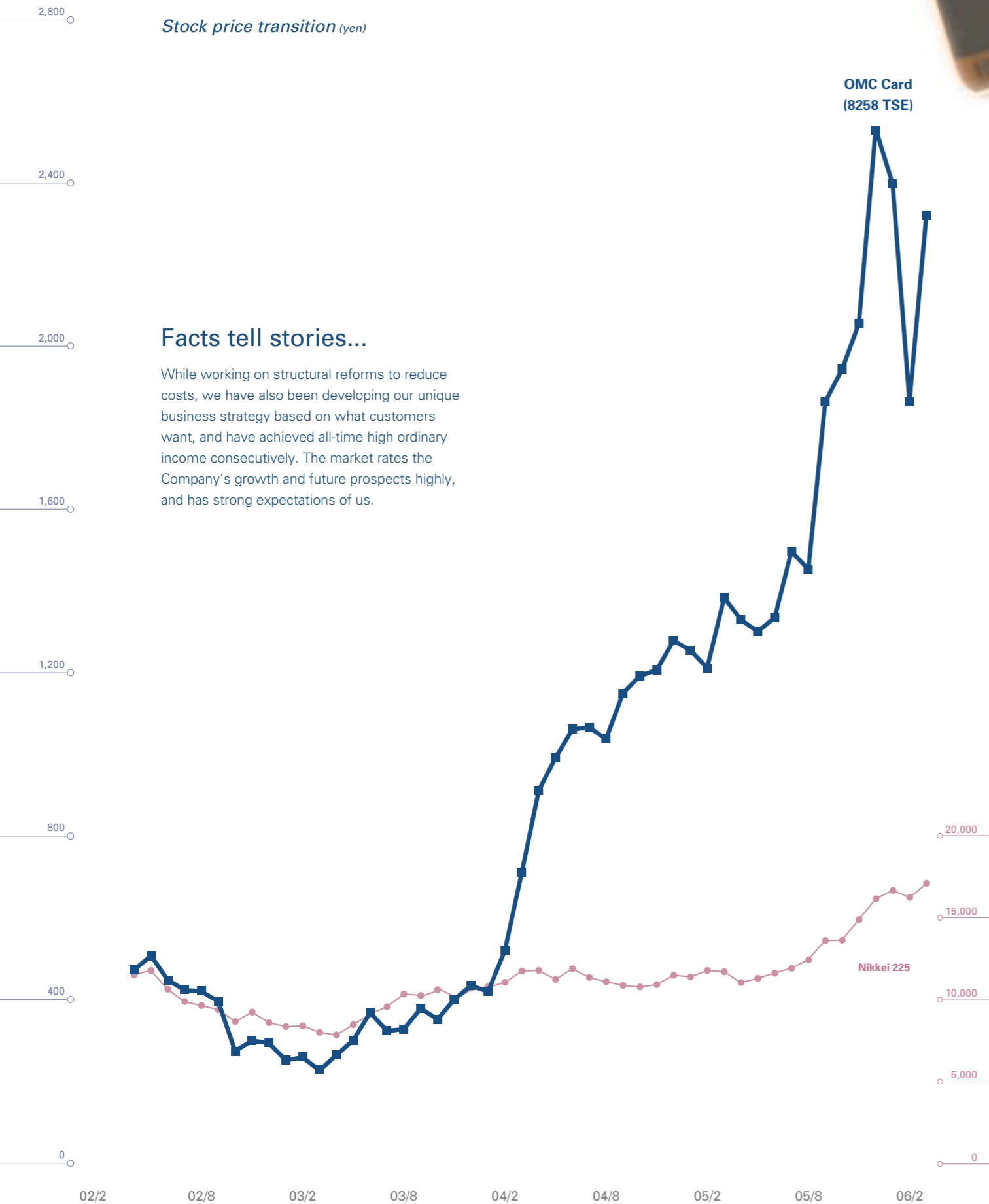
350

300

250



Stock price transition (yen)



Facts tell stories...

While working on structural reforms to reduce costs, we have also been developing our unique business strategy based on what customers want, and have achieved all-time high ordinary income consecutively. The market rates the Company's growth and future prospects highly, and has strong expectations of us.

Success Story 1

Mr Max Card

Over a 10-year period, Mr Max's two previous partner companies were only able to solicit 40,000 cards. OMC Card achieved 220,000 Mr Max Card solicitations in just eight months.



A Year of Growth and Progress

Success Story 2

SHUTOKO ETC Card

OMC Card has been promoting services emphasizing customer convenience, such as its "point of sales card issuance" and "ETC One-stop" services. In recognition of these efforts, the Company has now tied up with the Metropolitan Expressway Association to issue the "SHUTOKO Card" and "SHUTOKO ETC Card."



Success Story 3

HIMARAYA Card

OMC Card promotes full-scale development of the MSP model. Through joint development of sales promotions, HIMARAYA Card has contributed to an improvement in their sales performance, eclipsing that of competitor sporting goods stores on an extended year-on-year basis.



CONTENTS	
A Year of Growth and Progress	01
A Message from the President	02
Corporate Governance	08
Enhancing Lives, Adding Value	10
Management's Discussion and Analysis	18
Consolidated Balance Sheets	22
Consolidated Statements of Income	24
Consolidated Statements of Stockholders' Equity	25
Consolidated Statements of Cash Flows	26
Notes to Consolidated Financial Statements	28
Independent Auditor's Report	44
Corporate Data	45
Investor Information	45

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.

- 8.1 million cardholders
- 356 thousand OMC-affiliated merchants
- Operating revenues of ¥145,989 million, up 4.9%
- Ordinary income of ¥35,573 million, net income of ¥18,363 million, both record highs
- Card user rate of 65.4% remains at a record high level
- 9% rise in outstanding balance of card shopping and cash advance operating receivables (after ABS adjustments)
- Increase in non-Daiei transaction ratio to 77%



Hiromichi Funahashi
President and Representative Director

Position in the Industry

1. Sector Ranking (Transaction Volume)

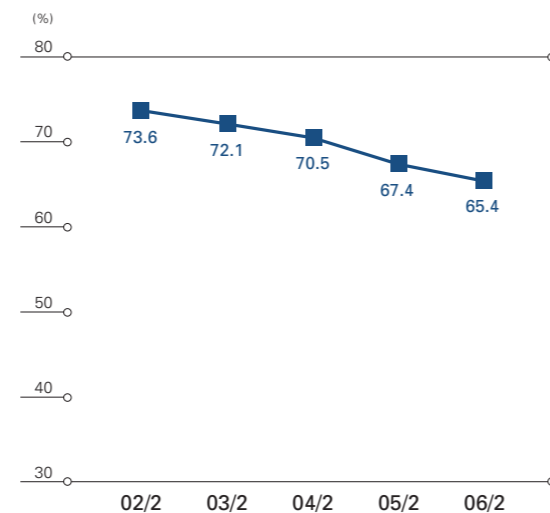
Position	Company
1st	JCB Group
2nd	Credit Saison + UC Group
3rd	VISA Japan
4th	UFJ NICOS
5th	DC Group
6th	AEON Credit Service
7th	OMC Card
8th	Orico
9th	JAL Card
10th	TOYOTA Finance

Company Valuation

Position	Company
166th	OMC Card
190th	AEON Credit Service
241st	Credit Saison
264th	Orico
289th	UFJ NICOS

*Source: Nikkei Prism Diversified Business Evaluation System
Fiscal 2005 survey results are based on a total of 2,185 companies, comprising TSE-listed companies and powerful non-listed companies.

**Card User Rate:
Maintaining the Top-Level Card User Rate in
the Domestic Credit Card Industry**



■ OMC Card

Reference:
The average card user rate for bank-affiliated card companies is about 40% and that for retail-affiliated companies is about 50%.

Healthy growth in major co-branded cards enables a record 1.79 million solicitations.

Consolidated Results for the Fiscal Year Ended February 28, 2006

The fiscal year ended February 28, 2006 saw strong performance from our "MSP (Marketing Solutions Partner)" business model, which helps to expand sales and create loyal customers for our co-branded card partners. In addition, we benefited from the series of structural reforms and cost-cutting measures that we have been implementing since fiscal 2003. As a result, we recorded year-on-year growth in both revenues and profits, with operating revenues rising 4.9% to ¥145,989 million, ordinary income climbing 27.5% to ¥35,573 million, and net income advancing 16.1% to ¥18,363 million, all achieving record highs.

In card shopping, we realized overall year-on-year growth of 5.0%. As a result of the issue of new co-branded cards with partners including MR MAX CORPORATION and Daikin Corporation, and because of expansion in the everyday payments market, such as utility bills and expressway toll charges, our non-Daiei transactions rose by 11.1%, more than offsetting the 11.7% year-on-year decline in our Daiei-related transactions. As a result of our acquisition of new accounts through card issuance at the point of sale, and our policies to promote card usage through extensive use of database marketing, take-up also expanded steadily in cash advances, which rose 4.6% year on year, pushing up revenues and profits.

Moreover, we developed integrated marketing approaches with our partner companies to encourage card usage both on the day of issue and in the first month after issue, and

achieved a record high of 1,789,000 solicitations. As a result, our number of active cardholders increased by 585,000 to 8,113,000 during the fiscal year ended February 28, 2006.

Turning to our consolidated balance sheet, operating receivables expanded healthily, and we worked to shrink our total assets, which declined by 11.1% year on year, to ¥542,907 million.

Our stockholders' equity ratio rose by 3.0 percentage points, year on year, to 12.2%. This was mainly attributable to retained profits from the improved profitability generated by operating revenue growth and efforts to cut financial and other expenses.

Looking to the future, OMC Card is firmly committed to further increases in profitability while working to strengthen our underlying financial structure. We will do our utmost to repay the support and fulfill the expectations of all our shareholders.

Co-Branding Strategy, Based on our MSP Model, Drives Results

We have used our accumulated expertise as a retailer-related card company to build a new co-branded card strategy, which is very different from the traditional competition based on commission rates.

Partnering with companies to issue co-branded cards, we offer a total solution making use of our unique strengths in solicitation, database marketing, and promotions. The co-branded cards issued under OMC Card's MSP model contribute to expanded sales and increased membership in our loyalty programs, while fostering loyal customers for partner companies.

The forerunner of the MSP model was the co-branded card we launched in November 2004 with sporting goods store chain HIMARAYA Co., Ltd. Now numbering over 200,000, current cardmembers are buying twice as many items and spending twice as much compared with cash-based transactions.

When it began its relationship with us in June 2005, discount store company Mr Max terminated its contract with another company and issued a co-branded card with OMC Card. With its previous card, it had only managed to collect around 40,000 cardholders in over 10 years, but with the new card, it acquired over 200,000 cardholders in 8 months. In addition, while the annual user rates of cards in general are said to be around 40%, we achieved remarkable results, with about 80% of cardholders using their card immediately on the day of issue.

At this stage, most retail companies have issued co-branded cards. Yet the great majority of retailers remain dissatisfied because the cards are not sufficiently used to boost sales



Our detailed knowledge of the retail industry enabled us to create this strategy model.

The whole Company is working together to rebuild its internal control systems and to instill a thorough consciousness of the importance of observing laws and regulations.



and enhance marketing. We are convinced that these retailers are potential customers for OMC Card's new MSP model.

The Company will continue to build Win-Win relationships, in which it both expands its co-branded card business, and also acts as a solutions partner in supporting sales at its partner companies.

Strengthening Governance and Compliance at Group Companies

As a credit card company, OMC Card has the privilege of being entrusted to handle our customers' most important personal data. With this in mind, the Company has made great efforts to strengthen data security, train employees in handling personal data, and build an organization in which laws and regulations are observed. With the aim of enhancing customer satisfaction, we have worked to build life-long partnerships with our customers, based on our CVC (Customer Value Chain) concept, and have implemented various measures to supply the most appropriate products, information and services for each individual customer. We have also worked to secure the trust of those customers.

In many ways, the Company's efforts have borne fruit. Gaining the Privacy Mark in 2003, we won a "Ministry of Economy, Trade and Industry Award for Excellence as a Consumer-Oriented Company" in 2004. And in 2005, we were the first company to be awarded the Customer Satisfaction Certification Standards by JMA Consultants Inc.

However, in working to improve customer service and strengthen governance and compliance, we are well aware that we need to continue to make untiring efforts on a daily basis.

This was made dramatically clear when, in spite of our efforts, we failed to prevent a scandal over actions taken to recover debts by some employees at one of OMC Card's subsidiaries. I personally, and the Company as a whole, take this incident very seriously. We deeply regret its occurrence, and my intention is to rebuild our internal control structures and instill a thorough consciousness of the importance of observing laws and regulations.

In terms of concrete measures, as well as carrying out exhaustive re-education of our employees, we will strengthen our system of checks by monitoring the progress of debt negotiations. In addition, we have implemented organizational reforms to strengthen our corporate governance, and have amalgamated the head office of the subsidiary with the Kikukawa Wing OMC office, which houses a call center.

The whole Company is working together to reform itself in order to regain and further

increase the respect and trust of all of our stakeholders, which we have spent so much time and effort to build.

Generating New Momentum Through a Broad Platform for Retail-Affiliated Card Companies

The Japanese credit card industry is comprised of various companies, including those affiliated with banks, credit sales companies, retailers and manufacturers. I am confident, however, that the ultimate winners will be retail-affiliated companies, like ourselves, who make the greatest efforts to meet the demands of customers.

We have received high ratings for our cutting-edge systems and the database marketing capabilities they support, which enable us to issue credit cards at the point of sale and carry out "One to One" marketing programs. But the starting point for everything we do is the concept that we work "For the Customers."

Our recent tie-up with MARUI Co. Ltd. was born from this shared perception, and from a conviction that we can expect the greatest synergies from tying up with other retailer-affiliated card companies.

Japanese companies have traditionally had a "custom-made" philosophy. It has been the norm to have linked in-house systems for everything from initial credit checks to credit monitoring, billing, and administration of debt collection. It is, however, an unending task to maintain systems offering convenience and enhanced security for customers. With technological innovation accelerating, companies have to embark on building next-generation systems as well. Given the enormous investment and labor required, insisting on doing everything in-house can only damage corporate competitiveness.

Having witnessed a series of bank-led rescues and mergers, Japan is now entering a new stage of cost-based competition. To prevail in this competition, companies like OMC can remain independent provided we aim for a genuine sharing of platforms by pooling and integrating our separate systems for business processing.

IY CARD SERVICE Co. Ltd., the card company of Seven & I Holdings Co., Ltd., entrusted its credit checking function to us in September 2003, and subsequently Marui entrusted to us, as an initial step, the credit administration and call center functions for their "EPOS CARD." We aim to pursue endorsements from other companies in the future, with the intention of constructing a broad platform for retailer-affiliated card companies.

Turning Change into Opportunity for Further Growth

The Japanese credit card industry has maintained strong growth of over 10% per annum on average over the last five years. We expect the market to continue to expand, driven by factors like increasing usage of credit cards for everyday payments like medical costs, electricity, gas, water and other utility bills, and taxes, along with the increasingly "cashless" nature of society as IC cards and electronic money spread.

However, debate has intensified about the need to revise the law relating to lending industry regulation, which was scheduled for review three years after its revision in fiscal 2003, as well as the need for new laws. Rationalization of the industry's laws and regulations has become an urgent issue.

Our view is that the elimination of the "Gray Zone" for interest rates between the



We will use our unique strengths and strategies to achieve further acceleration in growth.

different maximum levels specified by the Interest Rate Restriction Law and the Controls on Borrowing, Deposits and Interest Rates Law will be positive for the industry. We strongly hope that an early decision will be made on the general direction of reform.

Envisaging the possibility of a reduction in maximum interest rates, we are already preparing various countermeasures and strategies. We view a tougher industry environment as more of an opportunity than a threat for OMC Card, and intend to use it as a stepping stone for further progress. The reason for our view is that companies will be required to cut costs further, and to differentiate themselves through higher-value-added processing. As a result, interest rate reduction is likely to accelerate industry realignment.

Most credit card companies focus exclusively on simple competition for market share while expanding their number of cardholders. We have built a unique business foundation which cannot be replicated by other companies, and we are confident that we can offer high value-added to our customers holding OMC cards.

OMC Card will continue to offer value. By using the card-processing capabilities and database marketing which we have developed over many years as a retailer-affiliated card company, we will conduct "one-to-one" marketing to our customer base. Through our alliances with various partner companies, we will offer individual customers the products and services, which they need at each stage of their lives.

We intend to demonstrate the results of these efforts to our shareholders by expanding our profits, increasing our corporate value, and paying out stable returns.

We thank all our shareholders, and ask for your continued support.

June 2006

Hiromichi Funahashi
President and Representative Director

Basic Principles of OMC Card's Corporate Governance

The OMC Card Group recognizes its social responsibility to put its corporate ideals into practice, in a spirit of honesty and integrity, by building constructive and trusting relationships with all its stakeholders.

With the intention of further enhancing trust, the Company has therefore formulated a Corporate Code of Ethics as a set of guidelines for its business activities. Taking the view that compliance is the foundation of good corporate governance, the Company has appointed a director responsible for compliance and established a Compliance Committee. The aim is to abide consistently by the law and to instill a thorough awareness of good ethical practices.

In addition, the Company considers best practice in corporate governance to be an important management issue. With the intention of increasing corporate value, OMC Card Group is working to fulfill its responsibilities in this area through such measures as strengthening the effectiveness of its internal control systems, enhancing management efficiency through effective use of management resources, and increasing transparency through timely and appropriate disclosure.

The Company introduced an executive officer system on May 26, 2005. This move separated the decision-making and supervisory functions of the Board of Directors from the Company's operating functions, thus strengthening both functions. The aim was to create a management structure that can respond quickly and accurately to changes in the environment.

Organizational Structure and Corporate Governance System (as of February 28, 2006)

The Board of Directors, composed of 7 directors (including 4 outside directors), meets regularly once a month and, when deemed necessary, in extraordinary session. The Board discusses both matters required by law and issues relating to the business. The Company also appoints corporate auditors to an Auditing Committee composed of 5 corporate auditors (of whom 3 are external auditors). The corporate auditors carry out their auditing function by attending meetings of the Board of Directors, receiving reports from the Directors and other sources, and inspecting important official documents, among other activities. The Internal Audit Department conducts audits of operations in each division, reports its findings to the President, and gives appropriate feedback to the divisions.

The Compliance Committee is chaired by the President and holds regular meetings. The committee discusses and reports on ethical issues and ensures a thorough awareness of good ethical practices throughout the Company. It also deliberates on and determines Companywide compliance issues.

With the objective of strengthening the compliance system and ensuring the appropriate management and oversight of personal data, Compliance Managers, Compliance Promotion Leaders, and Compliance Leaders are nominated and appointed in each division, and ensure that their divisions are managed in line with sound corporate ethical principles. The Compliance Department is in charge of managing and auditing compliance practices, and it provides advice and guidance on compliance to

each division, reporting its findings to the Compliance Committee. The Customer Satisfaction (CS) Promotion Department works to ensure that personal data is fully protected through appropriate management and oversight structures. Lawyers, acting as consultants, provide legal compliance checks and advice on important issues. Tohmatsu & Co. is the Company's Independent Auditor.

Risk Management System

The Company analyzes and gauges data security risks, credit risks, and other major risks inherent in its business operations. The Company makes every effort to take appropriate measures to forestall risks, and to respond accurately to problems when they emerge, with the objectives of maintaining sound management through a safety-first approach to the business, and enhancing confidence in the Company.

Corporate Governance Initiatives over the Year

To strengthen its corporate governance, the Company introduced an executive officer system on May 26, 2005, appointing 12 executive officers in addition to the President, each of whom operates in a specific area of responsibility. In addition to holding regular meetings and determining all legally required and business-related issues, the Board of Directors also supervises the activities of the executive officers in carrying out their duties. Starting in October 2005, the Company has established October each year as OMC Corporate Ethics Month. In October 2005, various educational activities were held, such as the screening of an internal video of instructions from the President, and a compliance seminar presented by the Company's external consultant lawyers for the executive officers. The Company implemented regular educational initiatives for employees at every level, including collective instruction sessions for compliance managers held in August 2005 and January 2006.

In relation to the oversight of personal data, from well before the April 2005 implementation of the Personal Information Protection Law, OMC Card has consistently abided not only by the law, but also by guidelines, industry regulations, internal provisions, and other rules. The Company implements an ongoing internal training and ethical instruction program, and also encourages employees to gain the Japan Consumer Credit Industry Association's "Responsible Personal Data Manager" qualification. At present, 99% of our employees and directors hold this qualification.

The Company also actively encourages part-time employees to gain certification under its internal "Personal Data Handler Authorization System," and continues to make every effort to build and spread an awareness of the importance of personal data management.

Directors, Executive Officers, and Corporate Auditors

Board of Directors

President and Representative Director	Hiromichi Funahashi
Managing Directors	Toshiharu Nariai Shinji Ebata
Directors	Fumiko Hayashi Yasuyuki Higuchi Toshihiko Aizawa Tetsuro Sakamoto

Executive 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

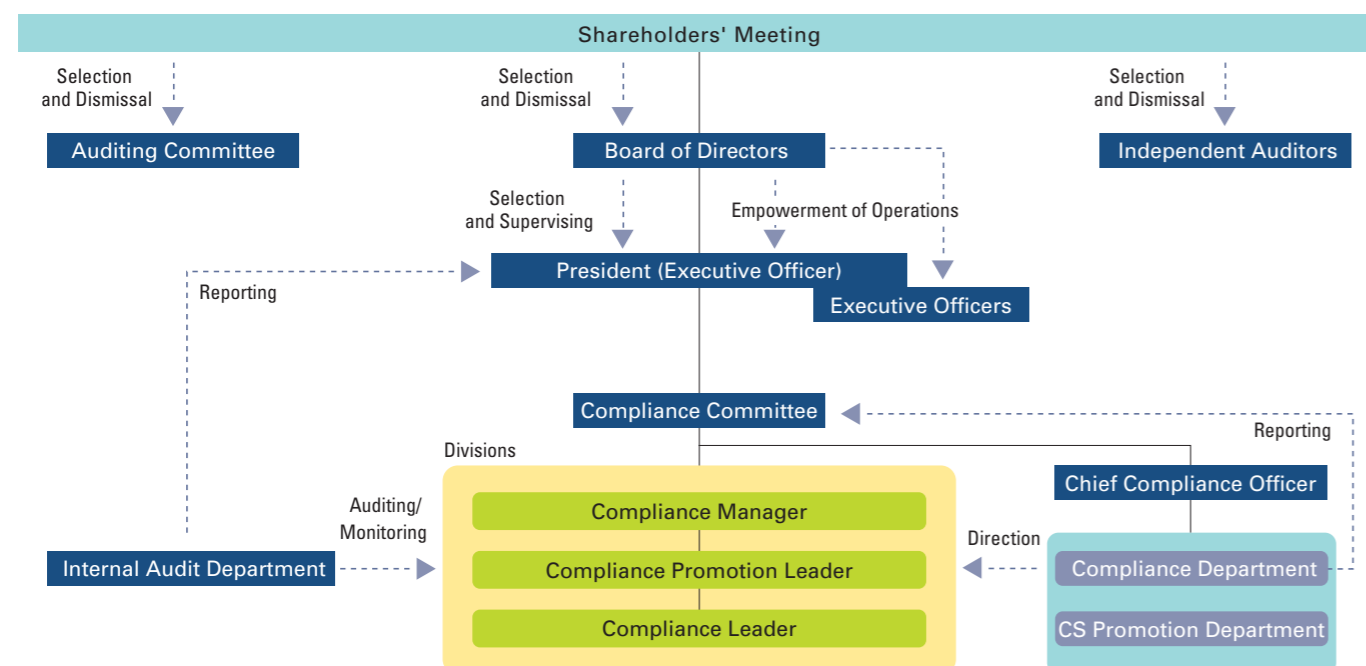
Hiroyuki Namiki Masakazu Yamashita Junichi Naitoh Shinshi Yamamoto Yasuhiro Keira Takeo Mayumi

Full-Time Corporate Auditors

Akira Nakao Syunji Matsuno

Corporate Auditors

Hiroshi Takeuchi Yutaka Hori Yoshiaki Takahashi

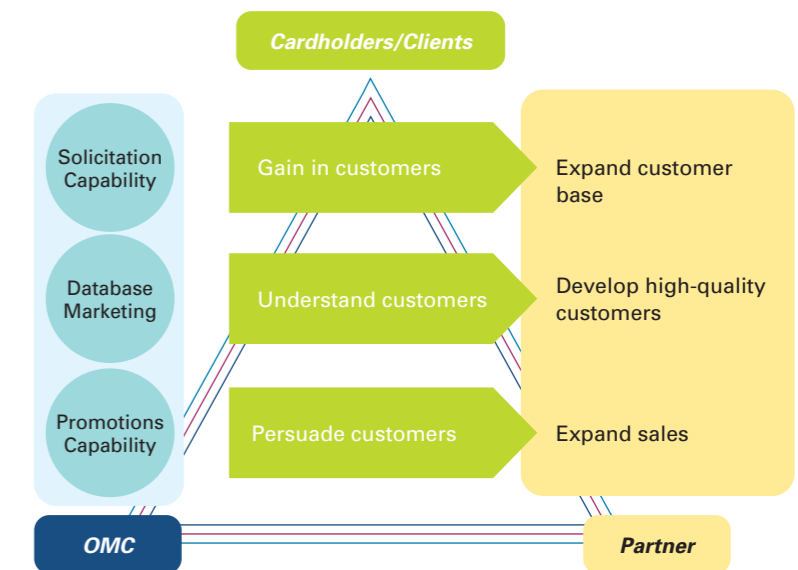


Only Point of Sale Credit Card Issuing System in the Industry

In response to the demands of customers who want to use their cards as soon as they have applied for them, we have been working to enable point of sale issuance of credit cards for over ten years. Our ability to process point of sale card issuance requires not only superior systems, but also expertise in areas like initial credit checking and promotional activities.



Marketing Solution Partner Model



Immediacy and Accuracy for Better Service

Our new automated credit-checking system IBIS uses a neural network (artificial intelligence), and incorporates the skills of experienced credit vetting experts, making it possible to issue cards in times varying from a minimum of five minutes to a maximum of 15 minutes after receiving the application. Additionally, to respond quickly to card applications via our Web site, we have developed and brought into use a system which gives the results of the credit check within three minutes from application.

As the first contact we have with potential customers, our face-to-face solicitations are the first opportunity we have to impress people with our service. These therefore play a very important role for us, and we are putting particular effort into training our staff in this area.

By helping customers enroll at retail locations, OMC staff can more effectively communicate, in a short time and in an easily digestible way, as much information as possible about card usage methods, campaigns, and so on. To achieve this, we work constantly, for example, by hosting "five-minute entertainment" role-playing competitions to practice and improve the effectiveness of our solicitations and sales approaches, so that these can be tailored to the setting.

Thanks to the expertise we have accumulated in this area, our solicitations are highly effective, and our card user rates rank among the highest in the industry.

Development of Alliance Strategy Based on MSP Model

By combining our strengths in sales, database marketing, and promotions, we offer a solution which helps partner companies grow sales, increase membership in their loyalty programs, and foster loyal customers. That is what the MSP (Marketing Solutions Partner) model is all about and why we use it for our co-branded cards.

Our performance has been highly rated, having generated results exceeding initial expectations, both in our first role as a solutions partner in our November 2004 tie-up with sporting goods chain HIMARAYA Co., Ltd, and in our subsequent June 2005 tie-up with discount store chain MR MAX CORPORATION.

At Himaraya, the initial forecast for solicitations was around 50,000, but we achieved over 180,000 solicitations in a year, with the total number of cardmembers currently exceeding 200,000. The annual user rate for ordinary cards is said to be around 40%, but at Mr Max, we achieved astonishing results, with about 80% of cardholders using their cards on the day of issue.

Based on these successes, we are actively promoting this business to retail companies by holding CRM seminars and through press advertisements, as we aim for further expansion of co-branded cards.

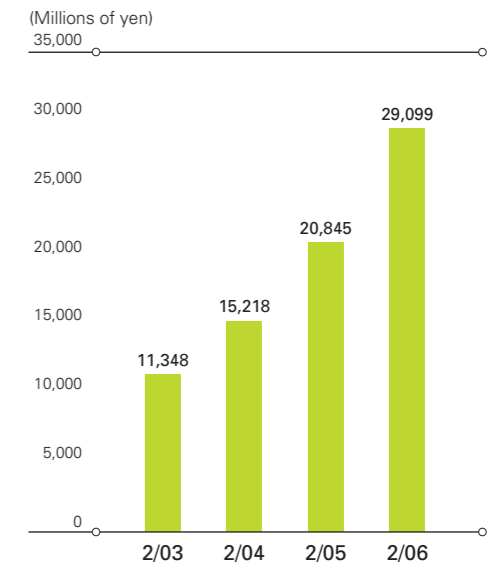




Personalized Message:

The monthly card usage statement is an important communication channel with cardmembers. We are able to incorporate up to 11 personalized messages into this statement. We use our database marketing expertise to analyze the attributes and usage trends of our cardmembers, and include the most appropriate information for each individual cardmember. By these means, we are able to achieve "One to One" marketing.

CVC Transaction Volume



In-depth Knowledge for "One -to-One" Solutions

Development of Database Marketing, CVC Business

OMC Card recognized the importance of database marketing at an early stage, and has developed systems which can efficiently collect, administer, and analyze enormous quantities of customer data. We use the results of these analyses for various promotions and policies to promote card usage. The fusion of our CVC vision and our database marketing technology has developed into OMC Card's unique "cardmember business" (CVC business).

This business aims to create loyal customers by using database-mining techniques to offer each individual customer the products, information and services most appropriate to their individual life stages. We do not only offer our own products; our tie-ups with various companies allow us to offer products related to cars, housing and health goods, among others.

As a result our partners benefit from low-cost, high response-rate selling opportunities, while for OMC Card this is high-profit business in which we earn fees on retail transactions, contract fees from partners, and advertising commissions.

Since we developed this business in 2002, our many successes have earned us an excellent reputation, and the number of our partner companies has expanded each term, reaching 210 in the year ended February 2006.

Database-Oriented Systems, Expansion of Services Menu

With the objective of enhancing the precision and the processing capacity of our database marketing, we introduced in September 2004 a system capable of handling 10,000 test marketing programs annually. In November of the same year, we introduced a system which can set interest rates flexibly on a per-transaction basis. The insights obtained from analyzing the results of using these systems are now helping us to succeed in running efficient promotions and creating more profitable portfolios for the Company.

Our CVC menu in the past consisted mainly of physical products, but we have worked to expand it to financial services which help cardmembers to grow their assets, such as securities intermediary services and insurance consulting. In August 2005, we entered the securities intermediary business, and have tied up with a number of internet securities companies in order to better select products suited to the needs of our cardmembers. We intend to further expand the number of partner companies in the future. Through a recent initiative, we have opened walk-in insurance shops where customers can benefit from the advice of financial planners in a relaxed environment. In addition to our direct mail, telephone, Internet and other marketing channels, we now have the physical channel of actual stores.

By offering more convenient, high value-added products and services to our cardmembers, OMC Card aims to develop a new type of cardmember, and to promote card usage.

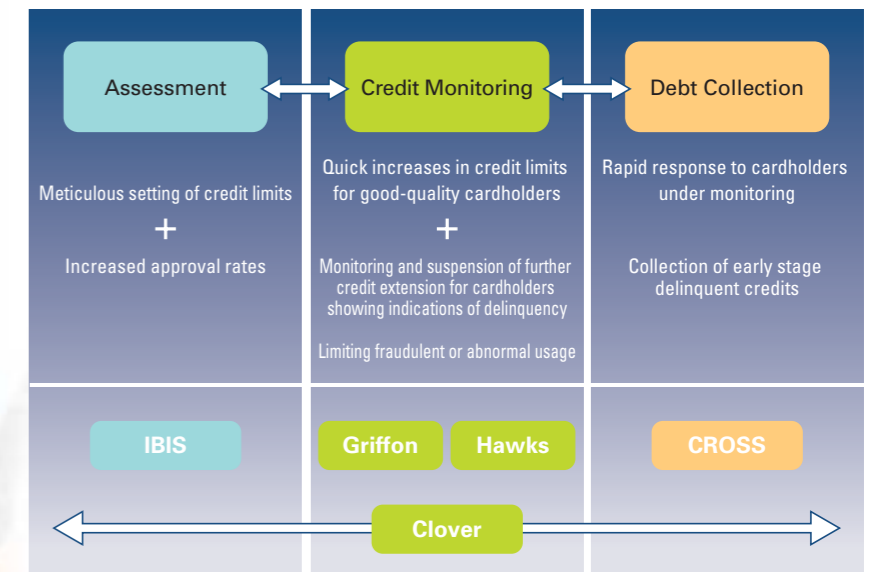
Enhancing Lives, Adding Value
for Individual Life Stages

Leading-Edge Systems Infrastructure

OMC Card has consistently worked to keep its systems infrastructure at the cutting edge. In 2001, we introduced the "Clover" credit monitoring administration system, and in 2002 we introduced CROSS, a new debt recovery system. In 2003, we introduced IBIS, an automatic credit checking system, and "Griffon Security Manager," our artificial intelligence-based fraud detection system. And in 2005, we launched our back-office streamlining system "Sprint Workflow Master."



OMC Card's Risk Management System



Enhanced Systems for Better Results

Griffon complements our affiliated store management system "Hawks," which carries out fraud detection at the individual store level. In order to deal with increasingly sophisticated fraud techniques, Griffon is structured to allow specification of an infinite number of fraud detection rules, and it carries out monitoring and detection at the card level.

The Sprint system automates the collection of data and analysis of trends on fraudulent card use, which were previously done by hand, as well as back office procedures. Aiming to make our processes totally paperless, the Sprint system increases efficiency and reduces transaction processing costs.

The Company has developed this linked systems infrastructure, covering everything from initial vetting to debt collection, for strategic reasons.

The business environment is becoming more competitive, with bank-led financial reorganizations of competitors, new players from other industries entering the sector, ongoing discussions about whether to revise the law to reduce maximum interest rates, and ever more diverse and sophisticated fraud techniques. Against this backdrop, we are naturally strengthening the foundations of our card business. In addition, we are working to develop our outsourcing business, which uses the processing power and expertise supported by our leading-edge systems infrastructure. We have confidence that we can use our systems to build a broad platform for retail-related business.

Tie-Up with MARUI Co., Ltd.

In the Wing OMC Office, which we established in 2001 in Sumida Ward, Tokyo, we have assembled the leading-edge systems infrastructure and operational expertise which are the foundation of our card business. While working to upgrade our major systems, we have also developed the outsourcing business.

The demand for the card processing-related services we offer is not limited to card companies, and a total of 123 companies have entrusted business to us for such services as the cleaning up of customer data, mailing services, and call center functions. Our processing capabilities, including the ability to issue credit cards at the point of sale, are highly regarded. Seven & I Holdings Group member IY CARD SERVICE Co., Ltd. and major department stores have outsourced their initial credit vetting and card issuance functions to us.

This year, OMC Card also agreed with major department store MARUI Co., Ltd. to work to jointly establish a card processing company by September 2006. As a first step, Marui has started by outsourcing to us the credit administration and customer service center enquiry functions for the EPOS CARD which the company issues.

As retail-related card companies working to fulfill the desires of our customers, we will achieve lower systems costs and an enhancement in service by pooling our mutual expertise and technology to gain the maximum in synergies, while preparing for the construction of next-generation systems. In addition, we will at an early stage expand our processing capabilities, which currently stand at 13 million cardmembers for the two companies, to around 30 million cardmembers. Moreover, we will actively court the participation and endorsements of other companies, with the aim of building a platform for the retail industry as a whole.

CSR views and initiatives

Since the Company's founding in 1950, OMC Card has been supported by a large number of stakeholders, including its cardholders and shareholders, its trading counterparties, and members of the public across Japan. The Company has also been deeply involved in the development of a credit card society.



Strong Commitment for a Better World

We believe that our raison d'être, as a retailer-affiliated card company close to consumers, is not just to supply our customers with cards as a simple method of paying their bills, but also to offer the products, information and services which they need to support their lifestyle at each stage of their lives, and to contribute to the achievement of rich and fulfilling lives for each one of our customers.

In order to fulfill this social mission, we also aim to be a good corporate citizen and maintain the broad trust which society and the market have in us. As we develop, in addition to observing laws and regulations, we will pay due attention to our activities in contributing to society, respect for human rights, protection of the environment, and harmony with regional communities across Japan.

In the fiscal year ended February 28, 2006, we began consideration of the publication of a CSR report, in order to heighten and improve the perception of our daily efforts in strengthening corporate governance, compliance, and consumer data protection while enhancing customer satisfaction. As a preparatory step to chronicling the details of our activities in these areas, we have compiled and published the document "CSR initiatives 2005."

In gratitude to our shareholders for the support we have received from them in the past, we have also newly introduced a system of shareholder benefits. As gifts under this system, shareholders are able to choose between products produced through environment-friendly animal husbandry, or contributions to charities working to protecting the earth's environment. OMC Card will keep the details of this program under review in the future, and will build the OMC brand so that we are recognized as a true corporate citizen.



Enhancing Lives, Adding Value
in Social Contribution

Socially-Responsible Cards: Cumulative Donations Exceed ¥475 million

Over the 15 years since we issued an "Earth Friendly Card" in 1991, we have offered a framework for contributions by issuing socially-responsible cards to our customers interested in environmental problems, and have been active in making our own donations to protect the environment and otherwise aid charities.

In 2003, we further expanded our issuance of cards aimed at making a social contribution, issuing the ATOM Card, the SHIAWASENOWA [Ring of Happiness] Card, and the Happy Mama Card, among others.

The "Earth Friendly Card" is a general brand covering 20 types of cards themed on various environmental problems, including "protecting the ozone layer," "protecting the nature of the Oze region," and "protecting sea turtles." The cards are structured so that OMC Card donates 0.5% of the amount spent using the card to an environmental protection or research body related to the theme chosen by the customer.

The ATOM Card incorporates the vision of Osamu Tezuka, who said "I want to turn children's dreams into reality" and "I want to help in some way to build a future for children." 0.3% of the sum spent on the card is donated each year to bodies decided each year by the ATOM Fund Committee (composed of representatives from TEZUKA PRODUCTIONS and OMC Card).

During the fiscal year ended February 28, 2006, the Committee made donations of ¥3.48 million, selecting as recipients the National Council of Protective Care Homes for Children (a national organization providing protective care for children and helping them achieve independence), the Miyake Village Education Committee, and facilities dealing with the damage caused by heavy snow in Niigata (Seibo Aijien, Nagaoka Ryouikuen, and Akiba-Sou).

Overview of Results

Important Accounting Policies and Valuations

The consolidated financial reports of the OMC Card Group have been compiled in conformity with accounting conventions generally recognized as fair and appropriate in Japan. Valuations required in the compilation of these financial statements have been made based on rational criteria. Significant accounting policies used in the Group's consolidated financial statements may be found in "Notes to Consolidated Financial Statements: 2. Summary of Significant Accounting Policies."

Analysis of Performance

In the fiscal year under review, consolidated total operating revenues rose 4.9% year on year, to ¥145,989 million (US\$1,258,526 thousand), operating income rose 25.8%, to ¥34,886 million (US\$300,741 thousand), and net income rose 16.1%, to ¥18,363 million (US\$158,302 thousand).

As a result, basic net income per share of common stock rose by ¥11.64 (US\$0.10) year on year, to ¥85.89 (US\$0.74). The main components of operating revenues, operating expenses and other income (expenses) were as follows.

Operating Revenues

Consolidated total operating revenues in the fiscal year under review rose by ¥6,810 million (US\$58,707 thousand) year on year, to ¥145,989 million (US\$1,258,526 thousand). The growth was mainly attributable to an increase of ¥8,895 million (US\$76,681 thousand) in personal loan revenues and an increase of ¥316 million (US\$2,724 thousand) in fees from customers and affiliated stores.

The rise in personal loan revenues was the result of an increase in the balance of operating loans, accompanying year-on-year growth in transaction volume of 1.2%, to ¥558,185 million (US\$4,811,940 thousand). This was driven by a rise in the number of cardholders using their cards, and enhanced convenience from the increased number of affiliated CDs and ATMs.

Active promotion to expand new cardholders resulted in growth in fees from customers and affiliated stores. In pursuit of

our MSP (Marketing Solutions Partner) model, we issued co-branded cards with MR MAX CORPORATION and Daikin Corporation, among others, and we also issued the "OMC SHUTOKO Card" and "OMC SHUTOKO ETC Card" in association with the Metropolitan Expressway Association. We ran regular "OMC Card Reward Days," while aiming at enhanced customer convenience by working to increase the number of outlets accepting our cards and by working to allow card use for everyday payments, particularly utility bills. We tied up with The Tokyo Electric Power Company, Incorporated, and now have four utilities accepting OMC Card for settlement of electricity bills. These and other initiatives caused the transaction volume on which we earn fees to rise by 5.0%, to ¥885,051 million (US\$7,629,750 thousand) year on year.

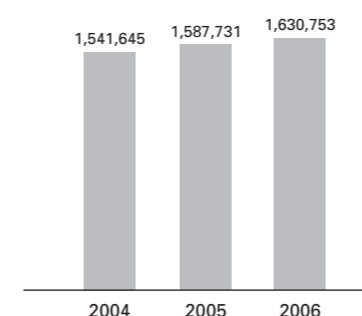
By contrast, the disposals of the travel business division and the door-to-door sales business of the merchandise sales division, made in the previous fiscal year as part of a Companywide business restructuring, caused declines in travel business revenues and profit from merchandise sales of ¥1,223 million (US\$10,543 thousand) and ¥727 million (US\$6,267 thousand), respectively.

Operating Expenses

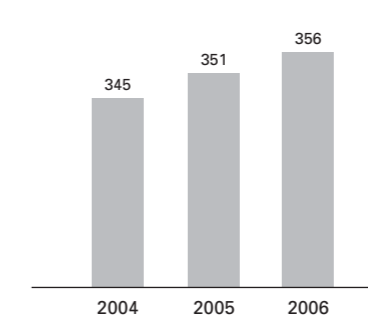
Consolidated total operating expenses in the fiscal year under review declined by 0.3% year on year to ¥111,103 million (US\$957,785 thousand). The principal reason was the decline in financial expenses of ¥2,378 million (US\$20,500 thousand), which offset a rise in selling, general and administrative (SG&A) expenses of ¥2,042 million (US\$17,603 thousand).

While the disposals of the travel and door-to-door sales businesses led to a fall in personnel and other expenses, the rise in SG&A expenses occurred because of increased transfers to both the allowance for credit card points redemption and the allowance for doubtful accounts. Due to a change in accounting treatment, the whole expected cost of the allowance for credit card points redemption in the fiscal year under review was recorded under SG&A, whereas in the fiscal year ended February 28, 2005, the entire amount as at February 29, 2004 was charged as an other expense. The increased transfer to the provision for operating receivables was primarily the result of the increased balance of operating receivables.

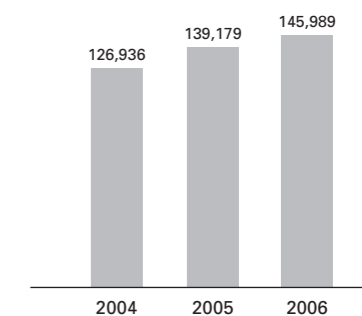
Transaction Volume
(¥ millions)



Number of Affiliated Merchants
(Thousands)



Total Operating Revenues
(¥ millions)



The decline in financial expenses resulted from our initiation of relationships with new financial institutions as funding counterparties, and our efforts to obtain low interest-rate funding while stabilizing our funding base through increased use of long-term financing.

Other Income (Expenses)

The main items in other income (expenses) during the fiscal year under review were a gain of ¥2,608 million (US\$22,483 thousand) on sales of marketable investment securities, and a loss of ¥4,947 million (US\$42,647 thousand) on disposals of fixed assets, resulting from sales of real estate.

Analysis of Financial Position

Assets

Total assets declined by 11.1% year on year, to ¥542,907 million (US\$4,680,233 thousand). Operating loans and installment sales receivables grew by ¥16,166 million (US\$139,362 thousand) and ¥4,818 million (US\$41,534 thousand), respectively, as a result of growth in transaction volume. The main reasons for the decline in assets were a decrease in cash and cash equivalents of ¥43,892 million (US\$378,379 thousand), a decrease in deferred tax assets of ¥12,621 million (US\$108,802 thousand) on being booked to profits, and a decrease in property and equipment of ¥7,258 million (US\$62,569 thousand) on real estate disposals.

Liabilities

Total current liabilities rose 3.9% year on year to ¥325,680 million (US\$2,807,586 thousand), principally due to the ¥46,425 million (US\$400,216 thousand) increase in short-term borrowings and current portion of long-term debt. Deposits received declined by ¥34,384 million (US\$296,414 thousand) as a result of asset securitization.

Total long-term liabilities declined by 37.4% year on year, to ¥150,966 million (US\$1,301,431 thousand), primarily due to a decrease of ¥89,098 million (US\$768,086 thousand) in long-term debt.

Stockholders' Equity

Total stockholders' equity rose 17.1% year on year, to ¥66,073 million (US\$569,595 thousand). The increase was principally

attributable to a rise in retained earnings of ¥14,583 million (US\$125,716 thousand) from net income booked in the period. There was an increase of ¥5,087 million (US\$43,853 thousand) in treasury stock, which is a deduction from shareholders' equity, as the result of a public tender offer. Consequently, net assets per share increased ¥47.93 (US\$0.41) from a year earlier, to ¥312.20 (US\$2.69). The stockholders' equity ratio increased 3.0 percentage points year on year, to 12.2%.

Cash Flows

Net cash provided by operating activities totaled ¥2,433 million (US\$20,974 thousand). The main factors affecting this were income before income taxes and minority interests of ¥31,220 million (US\$269,138 thousand), a rise of ¥17,593 million (US\$151,664 thousand) in operating receivables such as cash advances, and declines of ¥34,384 million (US\$296,414 thousand) in deposits received, and ¥6,091 million (US\$52,509 thousand) in other assets, resulting from asset securitizations.

Net cash provided by investing activities showed an inflow of ¥5,126 million (US\$44,190 thousand). The main factors were that while ¥2,850 million (US\$24,569 thousand) was spent on purchases of property, equipment and software in the course of a functional upgrading of credit systems, there was an inflow of ¥3,970 million (US\$34,224 thousand) from sales of property and equipment and an inflow of ¥4,021 million (US\$34,664 thousand) from sales of investment securities.

Net cash used in financing activities showed an outflow of ¥51,443 million (US\$443,474 thousand). This was primarily due to a decline in short-term borrowings.

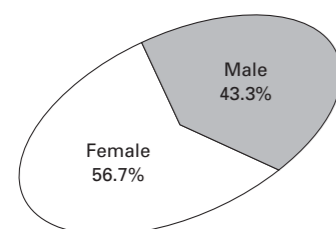
As a result of these factors, cash and cash equivalents at the end of the fiscal year under review declined by ¥43,892 million (US\$378,379 thousand) year on year, to ¥90,641 million (US\$781,388 thousand).

Financial Policies

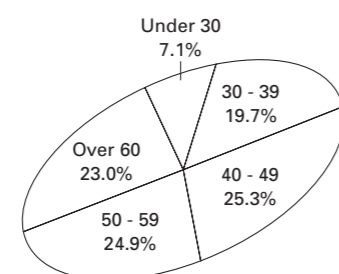
OMC Card recognizes the paramount importance of building a sound and robust financial structure. To that end, we are working to strengthen our financial foundation, boost our creditworthiness, and enhance our corporate value.

As part of the process of strengthening our financial foundation, in the fiscal year ended February 2006 we made

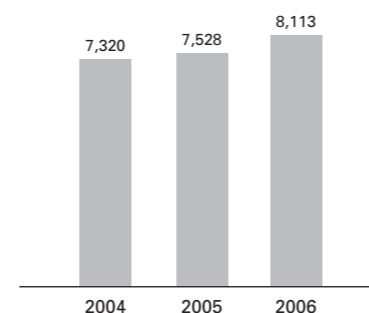
Cardholders by Gender



Cardholders by Age-Group



Number of Cardholders
(Thousands)



efforts to develop relationships with new financial institutions as funding counterparties in order to review our funding portfolio, and we aimed at further stabilization and diversification of our funding position through measures such as taking on additional low-rate long-term funding, and regular securitization of credit assets.

During the fiscal year ended February 2006, we issued a cumulative total of ¥227.3 billion in commercial paper, on occasions when conditions seemed appropriate.

As a result, three key indicators on which the Company places particular stress changed during the fiscal year. The direct funding ratio was 25.4% (-4.8% year on year), the long-term financing ratio was 88.8% (+21.4% year on year), and the fixed-rate financing ratio was 60.8% (+9.4% year on year). Looking ahead, we will work to build a balanced financing portfolio through efforts to raise stable funding at low interest rates, promoting a shift towards long-term fixed-rate funding to protect ourselves against future rises in interest rates, and diversifying our funding methods, for instance by securitizing credit assets and issuing bonds.

In addition, we aim to increase our stockholders' equity ratio by moving credit assets off the balance sheet, thus shrinking our assets and boosting efficiency.

Risk Disclosure

The factors discussed below have potentially important implications for decisions by investors pertaining to business results, the financial position, and other matters discussed in this report. In addition, matters discussed in this report concerning the future reflect the judgments 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 business, long-term weakness in employment conditions, household income, personal consumption, or other indicators may affect credit card and card loan transactions, which are core Group operations, or 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.

(2) Competitive Conditions

The credit card industry potentially faces fiercer competition due to realignment as banks, non-banks, and other firms go beyond traditional business boundaries to enter the credit card sector. 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, profit performance, and the financial standing of the Group.

(4) Fundraising and Interest Rates on Borrowing

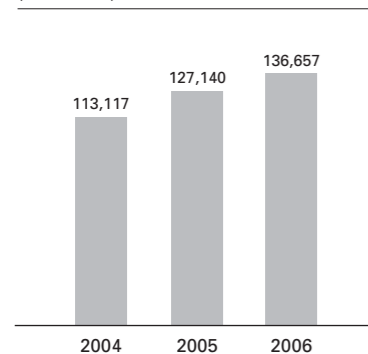
The OMC Group seeks to ensure a stable fund supply by raising funds using diverse methods and increasing the long-term proportion of its debt. However, changing interest rate conditions and the erosion of profits at Group companies may reduce creditworthiness, leading to less favorable borrowing terms,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

(5) Legal Regulations and Related Matters

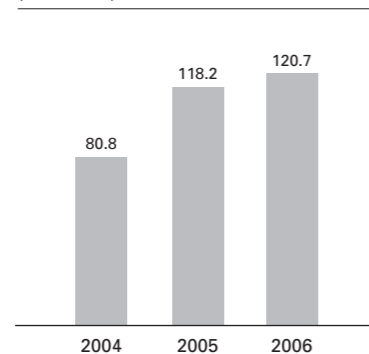
Changes to the Installment Sales Law or the Money-Lending Business Control and Regulation Law could lead to cost increases related to changing the terms (rules) of customer contracts, notifying customers of changes, altering investment practices, and stepping up systems investment. These could erode profitability, adversely affecting Group profits and financial standing.

In addition, as a result of the Supreme Court ruling on repayments deemed valid under Article 43 of the Money Lending Business Control and Regulation Law, there may be an increase in requests for repayment of interest exceeding the maximum

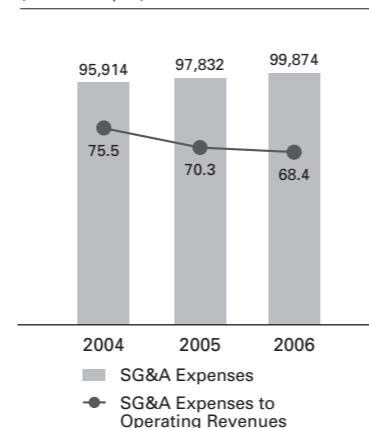
Operating Revenues of Card-Related Business (¥ millions)



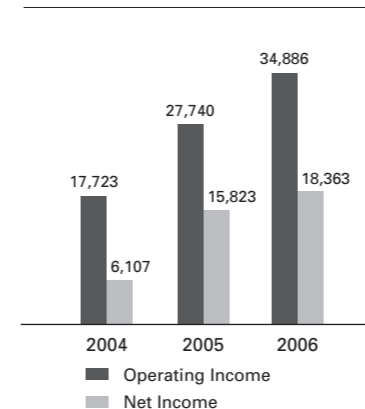
Operating Revenues per Employee (¥ millions)



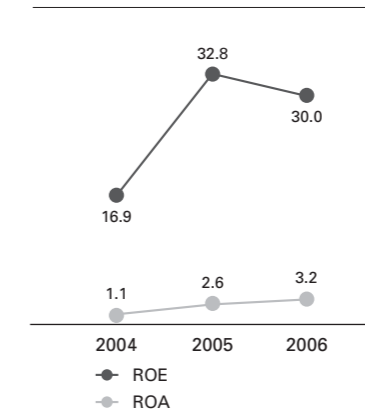
SG&A Expenses and SG&A Expenses to Operating Revenues (¥ millions, %)



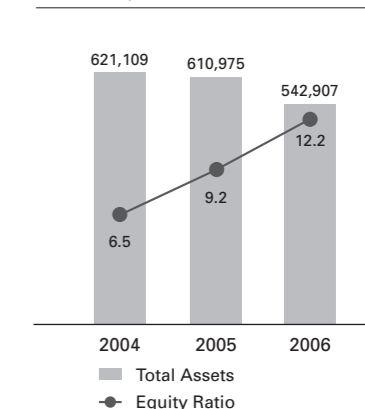
Operating Income and Net Income (¥ millions)



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



Total Assets and Equity Ratio (¥ millions, %)



interest rate set in the Interest Rate Restriction Law. In addition, the legal maximum interest rate may be lowered as a result of revisions to the Interest Rate Restriction Law or the Controls on Borrowing, Deposits and Interest Rates Law, or as the result of new laws being enacted. This could lead to a decline in interest income and an increase in expenses, and could affect the Group's profits and financial standing.

In addition, amendments to the Bankruptcy Law, the Special Mediation Law, the Civil Rehabilitation Law, the Judicial Scrivener Law, or 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 computer systems and communications networks containing a huge and varied amount of information in the course of operating its credit sales and other businesses. The Group has created manuals for crisis management in the event of system failures, and has constructed powerful safeguard systems, for instance by introducing vaccines to prevent computer viruses and building firewalls. However, unanticipated damage sometimes occurs to even highly sophisticated and complex systems and communication networks. Moreover, in the case of major earthquakes or other disasters larger than foreseen, the computer systems might have to be shut down, which could cause major difficulties for the business 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 quantity of personal data on its cardholders and other individuals. It has for some time appointed personnel to be directly responsible for the management of these data, has made particular efforts to train employees and worked hard to raise the perception within the organization of the importance of protecting personal data, and is continually maintaining and strengthening its personal data protection structures as an authorized "Privacy Mark" company. If personal data were to be leaked in spite of these initiatives, this could

damage the Company's image, in turn reducing cardholder numbers, depressing profits, and weakening the Company's financial standing.

(8) Introduction of Impairment Accounting

Impairment accounting for fixed assets will become compulsory for the fiscal year ending February 28, 2007. If Group companies are required to book impairment losses after gauging the future cash flows and other benefits to be derived from their asset holdings, or if the real estate market weakens substantially, profits and the Group's financial standing could deteriorate.

Forecasts for Fiscal Year Ending February 2007

Looking ahead, public investment is likely to decline, and there are fears of the impact of crude oil prices on the domestic and overseas economies. Nevertheless, individual consumption continues a steady recovery against a background of gradual rises in employment income, and we expect the economy to recover steadily, based on forecasts of continued domestic and overseas demand, high levels of corporate profits, and continued growth in capital investment.

In the credit card industry, we expect competition to intensify as new alliances are formed. In addition, a review of the money lending industry's regulatory system is being conducted in 2006, and we need to be fully cognizant of its possible impact.

In this environment, the Company is proceeding with the strategic expansion of its business. In addition to further strengthening the card business, we also plan to expand the cardmember and outsourcing businesses, by maximizing use of our database marketing and card processing capabilities.

In the area of financing, we continue to aim for low-cost, stable and diversified funding, and are also working to increase the proportion of long-term fixed rate financing to protect against the risk of interest rate rises.

Based on the factors outlined above, for the fiscal year ending February 28, 2007, OMC Card forecasts a 7.2% year-on-year increase in operating revenues, to ¥156.5 billion, a 12.4% rise in ordinary income, to ¥40 billion, and a 3.5% gain in net income, to ¥19 billion.

OMC Card, Inc. and Consolidated Subsidiaries

**Consolidated Balance Sheets
February 28, 2006 and 2005**

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
CURRENT ASSETS:			
Cash and cash equivalents	¥ 90,641	¥ 134,533	\$ 781,388
Operating receivables:			
Installment sales (Note 5)	122,657	117,839	1,057,388
Operating loans (Note 5)	298,852	282,686	2,576,310
Deferred tax assets (Note 13)	11,963	21,595	103,129
Prepaid expenses and other current assets	30,025	33,279	258,837
Allowance for doubtful accounts	(33,153)	(28,368)	(285,802)
Total current assets	<u>520,985</u>	<u>561,564</u>	<u>4,491,250</u>
PROPERTY AND EQUIPMENT:			
Buildings and structures	2,708	4,267	23,345
Equipment	506	524	4,362
Land	1,589	8,164	13,698
Total	<u>4,803</u>	<u>12,955</u>	<u>41,405</u>
Accumulated depreciation	(2,041)	(2,935)	(17,595)
Net property and equipment	<u>2,762</u>	<u>10,020</u>	<u>23,810</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 10)	4,600	5,425	39,655
Software	7,860	8,472	67,759
Guarantee money deposited	2,800	12,492	24,138
Deferred tax assets (Note 13)	1,894	4,883	16,328
Other assets	2,006	8,119	17,293
Total investments and other assets	<u>19,160</u>	<u>39,391</u>	<u>165,173</u>
TOTAL	<u>¥ 542,907</u>	<u>¥ 610,975</u>	<u>\$ 4,680,233</u>

See notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	¥ 61,164	¥ 161,590	\$ 527,276
Current portion of long-term debt (Note 6)	200,280	53,429	1,726,552
Accounts payable (Note 10)	25,755	26,676	222,026
Deposits received (Note 7)	22,528	56,912	194,207
Accrued expenses	8,408	7,651	72,483
Income taxes payable	474	173	4,086
Allowance for credit card points redemption (Note 3.a)	1,930	1,580	16,638
Deferred revenue (Note 5)	988	1,098	8,517
Other current liabilities (Note 13)	4,153	4,201	35,801
Total current liabilities	<u>325,680</u>	<u>313,310</u>	<u>2,807,586</u>
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	146,887	235,985	1,266,267
Liability for retirement benefits (Notes 3.b and 8)	3,245	2,723	27,974
Other long-term liabilities	834	2,422	7,190
Total long-term liabilities	<u>150,966</u>	<u>241,130</u>	<u>1,301,431</u>
MINORITY INTERESTS	188	90	1,621
CONTINGENT LIABILITIES (Note 15)			
STOCKHOLDERS' EQUITY (Notes 9 and 18):			
Common stock—authorized, 670,000,000 shares; issued, 213,682,082 shares in 2006 and 213,561,082 shares in 2005	43,344	43,313	373,655
Capital surplus	537	506	4,629
Retained earnings	26,307	11,724	226,785
Unrealized gain on available-for-sale securities	1,061	991	9,147
Treasury stock—at cost, 2,169,160 shares in 2006 and 139,184 shares in 2005	(5,176)	(89)	(44,621)
Total stockholders' equity	<u>66,073</u>	<u>56,445</u>	<u>569,595</u>
TOTAL	<u>¥ 542,907</u>	<u>¥ 610,975</u>	<u>\$ 4,680,233</u>

OMC Card, Inc. and Consolidated Subsidiaries
Consolidated Statements of Income
Years Ended February 28, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
OPERATING REVENUES (Note 5):			
Fees from customers and affiliated stores	¥ 25,286	¥ 24,970	\$ 217,983
Personal loan revenues	106,734	97,839	920,121
Profit from merchandise sales		727	
Travel business revenues		1,223	
Annual membership fees and other (Note 11)	13,969	14,420	120,422
Total operating revenues	145,989	139,179	1,258,526
OPERATING EXPENSES:			
Selling, general and administrative expenses	99,874	97,832	860,983
Financial expenses (Note 11)	11,229	13,607	96,802
Total operating expenses	111,103	111,439	957,785
OPERATING INCOME	34,886	27,740	300,741
OTHER INCOME (EXPENSES):			
Gain on sales of marketable and investment securities—net	2,608	2,667	22,483
Gain on sales of investments in a consolidated subsidiary		122	
Loss on sales of fixed assets	(4,947)	(110)	(42,647)
Loss on devaluation of marketable and investment securities		(30)	
Provision for doubtful accounts		(743)	
Charge for transitional obligations for retirement benefits (Note 2.h)	(341)	(703)	(2,940)
Reversal of liability for retirement benefits due to the dissolution of employees' pension fund (Note 8)		2,767	
Loss on restructurings (Note 12)		(2,328)	
Cumulative effect of accounting change for credit card points redemption (Note 3.a)		(1,520)	
Other—net (Note 3.b)	(986)	(484)	(8,499)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	31,220	27,378	269,138
INCOME TAXES (Note 13):			
Current	213	254	1,836
Deferred	12,606	11,287	108,672
Total income taxes	12,819	11,541	110,508
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	(38)	(14)	(328)
NET INCOME	¥ 18,363	¥ 15,823	\$ 158,302
		Yen	U.S. Dollars
	2006	2005	2006
PER SHARE OF COMMON STOCK (Notes 2.n and 17):			
Basic net income	¥ 85.89	¥ 74.25	\$ 0.74
Diluted net income	85.89	74.05	0.74
Cash dividends applicable to the year	17.50	10.00	0.15

See notes to consolidated financial statements.

OMC Card, Inc. and Consolidated Subsidiaries
Consolidated Statements of Stockholders' Equity
Years Ended February 28, 2006 and 2005

	Thousands	Millions of Yen				
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Treasury Stock
BALANCE, MARCH 1, 2004	211,236	¥ 42,809	¥ 2	¥ (4,099)	¥ 1,382	¥ (28)
Net income				15,823		
Exercise of stock option	2,244	504	504			
Repurchase of treasury stock	(58)					(61)
Net decrease in unrealized gain on available-for-sale securities					(391)	
BALANCE, FEBRUARY 28, 2005	213,422	43,313	506	11,724	991	(89)
Net income				18,363		
Dividends paid (¥17.5 per share)				(3,736)		
Bonuses to directors and corporate auditors				(44)		
Exercise of stock option (Note 9)	121	31	31			
Net change in treasury stock	(2,030)					(5,087)
Net increase in unrealized gain on available-for-sale securities					70	
BALANCE, FEBRUARY 28, 2006	211,513	¥ 43,344	¥ 537	¥ 26,307	¥ 1,061	¥ (5,176)
		Thousands of U.S. Dollars (Note 1)				
		Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Treasury Stock
BALANCE, FEBRUARY 28, 2005		\$ 373,388	\$ 4,362	\$ 101,069	\$ 8,543	\$ (767)
Net income				158,302		
Dividends paid (\$0.15 per share)				(32,207)		
Bonuses to directors and corporate auditors				(379)		
Exercise of stock option (Note 9)		267	267			
Net change in treasury stock						(43,854)
Net increase in unrealized gain on available-for-sale securities					604	
BALANCE, FEBRUARY 28, 2006		\$ 373,655	\$ 4,629	\$ 226,785	\$ 9,147	\$ (44,621)

See notes to consolidated financial statements.

OMC Card, Inc. and Consolidated Subsidiaries

**Consolidated Statements of Cash Flows
Years Ended February 28, 2006 and 2005**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 31,220	¥ 27,378	\$ 269,138
Adjustments for:			
Income taxes—paid	(224)	(245)	(1,931)
Depreciation and amortization	3,499	3,198	30,164
Provision for doubtful accounts	3,157	6,067	27,216
Gain on sales of marketable and investment securities—net	(2,608)	(2,667)	(22,483)
Gain on sales of investments in a consolidated subsidiary		(122)	
Loss on sales of fixed assets	4,947	110	42,647
Loss on devaluation of marketable and investment securities		30	
Loss on restructurings		867	
Changes in assets and liabilities:			
(Increase) decrease in receivables	(17,593)	3,191	(151,664)
Decrease in other assets	3,049	13,523	26,284
Decrease in guarantee money deposited	9,692	1,469	83,552
Decrease in accounts payable	(921)	(4,182)	(7,940)
Decrease in deposits received	(34,384)	(11,653)	(296,414)
Increase in allowance for credit card points redemption	350	1,580	3,017
Increase (decrease) in liability for retirement benefits	522	(2,115)	4,500
Increase (decrease) in other liabilities	583	(1,282)	5,026
Other—net	1,144	21	9,862
Total adjustments	<u>(28,787)</u>	<u>7,790</u>	<u>(248,164)</u>
Net cash provided by operating activities	<u>2,433</u>	<u>35,168</u>	<u>20,974</u>
INVESTING ACTIVITIES:			
Proceeds from sales of fixed assets	3,970	44	34,224
Purchases of property, equipment and software	(2,850)	(3,398)	(24,569)
Proceeds from sales of investment securities	4,021	3,824	34,664
Disbursements for sales of investments in a consolidated subsidiary		(579)	
Purchases of investment securities	(16)	(120)	(138)
Other—net	<u>1</u>	<u>(77)</u>	<u>9</u>
Net cash provided by (used in) investing activities	<u>5,126</u>	<u>(306)</u>	<u>44,190</u>
FORWARD	<u>¥ 7,559</u>	<u>¥ 34,862</u>	<u>\$ 65,164</u>

OMC Card, Inc. and Consolidated Subsidiaries

**Consolidated Statements of Cash Flows
Years Ended February 28, 2006 and 2005**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
FORWARD	¥ 7,559	¥ 34,862	\$ 65,164
FINANCING ACTIVITIES:			
Decrease in short-term borrowings—net	(100,426)	(84,786)	(865,741)
Proceeds from long-term debt	151,274	118,186	1,304,086
Repayments of long-term debt	(93,522)	(42,140)	(806,224)
Repurchase of treasury stock	(5,112)	(61)	(44,069)
Dividends paid	(3,719)		(32,060)
Other—net	<u>62</u>	<u>1,008</u>	<u>534</u>
Net cash used in financing activities	<u>(51,443)</u>	<u>(7,793)</u>	<u>(443,474)</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	<u>(8)</u>	<u>(1)</u>	<u>(69)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(43,892)</u>	<u>27,068</u>	<u>(378,379)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>134,533</u>	<u>107,465</u>	<u>1,159,767</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 90,641</u>	<u>¥ 134,533</u>	<u>\$ 781,388</u>
ADDITIONAL INFORMATION:			
Decrease in assets and liabilities due to sales of investments in a consolidated subsidiary:			
Assets		¥ 1,171	
Liabilities		(756)	
Gain on sales of investments		122	
Proceeds from sales of investments		537	
Cash and cash equivalents held by a consolidated subsidiary		<u>(1,116)</u>	
Disbursements for sales of investments in a consolidated subsidiary—net		<u>¥ (579)</u>	

See notes to consolidated financial statements.

(Continued)

(Concluded)

OMC Card, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Years Ended February 28, 2006 and 2005

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2005 financial statements to conform to the classifications used in 2006.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which OMC Card, Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥116 to \$1, the approximate rate of exchange as of February 28, 2006. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation*—The consolidated financial statements as of February 28, 2006 include the accounts of the Company and its 14 significant (13 in 2005) subsidiaries (together, the "Companies").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in 2 associated companies are accounted for by the equity method. Investment in an unconsolidated subsidiary is stated at cost. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.

The cost in excess of net assets of subsidiaries and associated companies at the time of acquisition which cannot be specifically assigned to individual assets is amortized on the straight-line basis over 5 years with the exception of minor amounts which are charged to income in the period of acquisition.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are also eliminated.

- b. Cash Equivalents*—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, all of which mature or become due within three months of the date of acquisition.

- c. Allowance for Doubtful Accounts*—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

- d. Marketable and Investment Securities*—Marketable and investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

- e. Property and Equipment*—Property and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings (excluding facilities incidental to buildings). The range of useful lives is from 3 to 50 years for buildings and structures and from 3 to 15 years for equipment.

- f. Software*—Software is amortized by the straight-line method over 5 years.

- g. Allowance for Credit Card Points Redemption*—The allowance for credit card points redemption is stated in amounts considered to be appropriate based on the Companies' past redemption experience (see Note 3.a).

- h. Retirement Benefits*—The Company and certain consolidated subsidiaries have a contributory trust pension plan and non-contributory trust pension plans covering substantially all of their employees.

Effective March 1, 2001, the Companies adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The transitional obligation determined as of March 1, 2001, is being amortized over 5 years and is presented as other expense in the consolidated statements of income.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date (see Note 3.b).

Certain corporate officers were newly selected at the Board of Directors held on May 26, 2005, and their retirement benefits were provided in accordance with similar policy of directors and corporate auditors of the Company.

- i. Leases*—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

- j. Recognition of Operating Revenues*—The operations of the Companies are mainly comprised of the following areas, and the recognition of operating revenues differs for each business. See Note 5 for amounts of transactions and realized operating revenues by each business.

(1) *Credit Card Contracts and Personal Credit Contracts for Shopping*

Installment sales receivable is recorded when the Company purchases these receivables from the affiliated stores, and fees for collection and administrative services to be received from the affiliated stores are recognized at the same time.

The Company also receives fees from customers under credit card contracts, and such fees are recorded when the Company bills customers the amount of fees charged at the contract rate on the outstanding balances of the credit cards, and fees from customers for personal credit contracts for shopping are recognized as profit on the installment basis computed using the sum-of-the-digits method.

(2) *Loan Contracts*

Operating loans receivable from cardholders are recorded when they receive cash from the Companies. Monthly billings to borrowers include principal and interest, the total of which generally remains constant for the contract period. The interest is recognized as revenue monthly on a declining-balance basis.

Personal loans and other operating loans receivable are recorded when loan contracts become effective. The interest on personal loans is recognized as revenue according to the installment plan computed using the sum-of-the-digits method. The interest on certain other contracts is recognized as revenue according to the declining-balance basis.

(3) *Merchandise Sales and Income from the Travel Business*

Revenues from sales of merchandise inventories such as furniture, household items, etc. and from the travel business are recorded when they are sold to consumers by means of direct marketing by the Companies and by the travel business which is operated by the Company.

- k. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- l. Appropriations of Retained Earnings**—Appropriations of retained earnings at each year end are reflected in the financial statements for the following year upon stockholders' approval.
- m. Derivative Financial Instruments**—The Companies enter into interest rate swap agreements as a means of managing their interest rate exposures on short-term borrowings and long-term debt.

It is the Companies' policy not to hold or issue derivatives for speculative or trading purposes.

Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. These swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liabilities or assets.

However, interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but rather, the differential paid or received under the swap agreements is recognized and included in interest expense or income.

- n. Per Share Information**—Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the year including dividends to be paid after the end of the year.

o. New Accounting Pronouncements

Long-lived assets

In August 2002, the Business Accounting Council ("BAC") issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Companies expect to adopt these pronouncements as of March 1, 2006 and are currently in the process of assessing the effect of adoption of these pronouncements.

Business combination and business separation

In October 2003, the BAC issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005 the ASBJ issued "Accounting Standard for Business Separations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Separations." These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

- (a) the consideration for the business combination consists solely of common shares with voting rights,
- (b) the ratio of voting rights of each predecessor stockholder group after the business combination is nearly equal, and
- (c) there are no other factors that would indicate any control exerted by any stockholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock options

On December 27, 2005, the ASBJ issued "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of stockholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general stockholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, "Accounting treatment for bonuses to directors and corporate auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. Companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

3. ACCOUNTING CHANGES

a. Credit Card Points Redemption

Prior to March 1, 2004, costs for credit card points redemption were recorded on a cash basis. Effective March 1, 2004, the Companies changed their method of accounting for such redemption to an accrual basis to reflect income and expenses more appropriately due to a system improvement allowing the Companies to obtain information on the Companies' past redemption experience. The effect of this change was to decrease income before income taxes and minority interests for the year ended February 28, 2005 by ¥1,580 million, which included a cumulative effect of ¥1,520 million which was presented as cumulative effect of accounting change for credit card points redemption in the 2005 consolidated statement of income.

b. Retirement Benefits to Directors and Corporate Auditors

Prior to March 1, 2004, no provisions were recorded for retirement benefits to be paid to the Companies' directors and corporate auditors. Effective March 1, 2004, the Companies changed their method of accounting for such retirement benefits to the accrual basis. This change was made to provide a more accurate allocation of periodic costs for retirement benefits to directors and corporate auditors. The effect of this change was to decrease income before income taxes and minority interests for the year ended February 28, 2005 by ¥274 million, which included a cumulative effect of ¥224 million at February 29, 2004. This cumulative effect was included in other—net of other income (expenses) in the 2005 consolidated statement of income.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of February 28, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Non-current:			
Marketable equity securities	¥ 2,644	¥ 3,793	\$ 22,793
Non-marketable equity securities	1,956	1,632	16,862
Total	¥ 4,600	¥ 5,425	\$ 39,655

The carrying amounts and aggregate fair values of marketable and investment securities as of February 28, 2006 and 2005, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
February 28, 2006				
Securities classified as available-for-sale—Equity securities	¥ 1,036	¥ 1,608		¥ 2,644

February 28, 2005	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—Equity securities	¥ 2,228	¥ 1,614	¥ 49	¥ 3,793
	Thousands of U.S. Dollars			
February 28, 2006	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale—Equity securities	\$ 8,931	\$ 13,862		\$ 22,793

Available-for-sale securities whose fair value is not readily determinable as of February 28, 2006 and 2005, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Available-for-sale—Equity securities	¥ 1,956	¥ 1,632	\$ 16,862

Proceeds from sales of available-for-sale securities for the years ended February 28, 2006 and 2005, were ¥3,799 million (\$32,750 thousand) and ¥4,046 million, respectively. Gross realized gains and losses on these sales for the year ended February 28, 2006, computed on the moving average cost basis, were ¥2,607 million (\$22,474 thousand) and ¥1 million (\$9 thousand), respectively. Gross realized gains on these sales for the year ended February 28, 2005, computed on the moving average cost basis, were ¥2,667 million.

5. INSTALLMENT SALES RECEIVABLE, OPERATING LOANS RECEIVABLE AND DEFERRED REVENUE

Installment sales receivable, operating loans receivable and deferred revenue as of February 28, 2006 and 2005, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2006		2005		2006	
	Receivable	Deferred Revenue	Receivable	Deferred Revenue	Receivable	Deferred Revenue
Installment sales receivable:						
Credit card contracts	¥ 117,429	¥ 435	¥ 110,818	¥ 376	\$ 1,012,319	\$ 3,750
Personal credit contracts	5,228	348	7,021	489	45,069	3,000
	<u>¥ 122,657</u>		<u>¥ 117,839</u>		<u>\$ 1,057,388</u>	
Operating loans receivable	<u>¥ 298,852</u>	<u>205</u>	<u>¥ 282,686</u>	<u>233</u>	<u>\$ 2,576,310</u>	<u>1,767</u>
		<u>¥ 988</u>		<u>¥ 1,098</u>		<u>\$ 8,517</u>

The securitized installment sales receivable and operating loans receivable, which were not recognized as of February 28, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Installment sales receivable	¥ 20,717	¥ 24,639	\$ 178,595
Operating loans receivable	<u>125,978</u>	<u>99,580</u>	<u>1,086,017</u>
Total	<u>¥ 146,695</u>	<u>¥ 124,219</u>	<u>\$ 1,264,612</u>

Amounts of transaction volume and realized operating revenue by type of contract for the years ended February 28, 2006 and 2005, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2006		2005		2006	
	Transaction Volume	Operating Revenue	Transaction Volume	Operating Revenue	Transaction Volume	Operating Revenue
Credit card contracts	¥ 885,051	¥ 24,708	¥ 843,292	¥ 24,283	\$ 7,629,750	\$ 213,000
Personal credit contracts	4,303	578	5,815	687	37,095	4,983
Loan contracts	558,185	106,734	551,749	97,839	4,811,940	920,121
Merchandise sales			1,341	727		
Travel business			14,886	1,223		
Other	<u>183,214</u>	<u>13,881</u>	<u>170,648</u>	<u>14,280</u>	<u>1,579,431</u>	<u>119,663</u>
	<u>¥ 1,630,753</u>	<u>145,901</u>	<u>¥ 1,587,731</u>	<u>139,039</u>	<u>\$ 14,058,216</u>	<u>1,257,767</u>
Financial transactions		<u>88</u>		<u>140</u>		<u>759</u>
Total operating revenues		<u>¥ 145,989</u>		<u>¥ 139,179</u>		<u>\$ 1,258,526</u>

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of February 28, 2006 and 2005, consisted of notes to banks, bank overdrafts and loans from financing institutions. Commercial paper was also a component of short-term borrowings as of February 28, 2005. The weighted-average interest rates applicable to short-term borrowings as of February 28, 2006 and 2005 were 1.9% and 1.8%, respectively.

Long-term debt as of February 28, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Loans from banks and other financial institutions, due serially to 2011 with weighted-average interest rates of 2.0% in 2006 and 2.4% in 2005	¥ 347,167	¥ 289,414	\$ 2,992,819
Less current portion	<u>(200,280)</u>	<u>(53,429)</u>	<u>(1,726,552)</u>
Long-term debt, less current portion	<u>¥ 146,887</u>	<u>¥ 235,985</u>	<u>\$ 1,266,267</u>

Annual maturities of long-term debt outstanding as of February 28, 2006, were as follows:

Year Ending February 28 or 29	Millions of Yen	Thousands of U.S. Dollars
2007	¥ 200,280	\$ 1,726,552
2008	79,365	684,181
2009	58,485	504,181
2010	5,228	45,069
2011	<u>3,809</u>	<u>32,836</u>
Total	<u>¥ 347,167</u>	<u>\$ 2,992,819</u>

As is customary in Japan, substantially all of the Companies' bank borrowings are subject to general agreements with each bank which provide, among other things, that the relevant bank may, when the bank deems it necessary, request security for the loans. Also, these agreements allow the banks, if necessary, to treat any security furnished to the bank, as well as cash deposited with it, as security which may be used to offset present and future indebtedness.

7. DEPOSITS RECEIVED

Deposits received mainly consist of temporary cash collected from individual debtors on behalf of principal creditors such as other credit companies including those to which the Company sold its operating receivables on a securitizing basis.

8. RETIREMENT BENEFITS

The Company and certain consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors and corporate officers.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of lump-sum severance payments from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The Company and certain consolidated subsidiaries had a contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law and covers a substitutional portion of the governmental pension program managed by the parent company, The Daiei, Inc. (the "Parent") on behalf of the government and a corporate portion established at the discretion of the Parent. In accordance with the Defined Benefit Pension Plan Law enacted in April 2002, the Parent obtained approval for exemption from obligation to pay benefits for employee services, related to the substitutional portion, by the Ministry of Health, Labour and Welfare. Afterwards, on January 28, 2005, the Parent obtained the approval of dissolution of the contributory funded defined benefit pension plan by the Ministry of Health, Labour and Welfare and dissolved the pension fund. The Companies applied accounting treatments specified in the guidance issued by the ASBJ. The effect of dissolution was ¥2,767 million, recorded as reversal of liability for retirement benefits due to the dissolution of employees' pension fund in the consolidated statement of income for the year ended February 28, 2005.

Also, the Company and certain consolidated subsidiaries have defined contribution plans on and after March 1, 2005.

The liability (asset) for employees' retirement benefits as of February 28, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Projected benefit obligation	¥ 4,607	¥ 4,477	\$ 39,716
Fair value of plan assets	(1,490)	(1,353)	(12,845)
Unrecognized actuarial gain	(194)	(334)	(1,673)
Unrecognized transitional obligation		(341)	
Net liability	<u>¥ 2,923</u>	<u>¥ 2,449</u>	<u>\$ 25,198</u>

The components of net periodic benefit costs for the years ended February 28, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Service cost	¥ 412	¥ 700	\$ 3,552
Interest cost	88	209	759
Expected return on plan assets	(7)	(88)	(61)
Amortization of prior service cost		(10)	
Recognized actuarial loss	37	212	319
Amortization of transitional obligation	341	703	2,940
Net periodic benefit costs	<u>871</u>	<u>1,726</u>	<u>7,509</u>
Reversal of liability for retirement benefits due to the dissolution of employees' pension fund		(2,767)	
Additional retirement payments		1,151	
Payment for the defined contribution plans	<u>94</u>		<u>810</u>
Total	<u>¥ 965</u>	<u>¥ 110</u>	<u>\$ 8,319</u>

Assumptions used for the years ended February 28, 2006 and 2005, are set forth as follows:

	2006	2005
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.5%	1.0%–4.8%
Amortization period of prior service cost		10 years
Recognition period of actuarial gain/loss	10 years	10 years
Amortization period of transitional obligation	5 years	5 years

The liabilities for retirement benefits to directors and corporate auditors and corporate officers as of February 28, 2006 and 2005 are ¥322 million (\$2,776 thousand) and ¥274 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the stockholders.

9. STOCKHOLDERS' EQUITY

Through May 1, 2006, Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing stockholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the stockholders' accounts.

The Code also provides that an amount of 10% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period such as bonuses to directors shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 25% of the common stock may be available for dividends by resolution of the stockholders after transferring such excess in accordance with the Code. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of stockholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥22,196 million (\$191,345 thousand) as of February 28, 2006, based on the amount recorded in the Company's general books of account.

Dividends are approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

At the general stockholders meeting held on May 25, 2000, the Company's stockholders approved the following stock option plan for the Company's directors and key employees. The plan provides for granting options to directors and key employees to purchase up to 1,930,000 shares of the Company's common stock in the period from May 26, 2002 to May 25, 2005. The options were granted at an exercise price of ¥404.

At the general stockholders meeting held on May 24, 2001, the Company's stockholders approved the following stock option plan for the Company's directors and key employees. The plan provides for granting options to directors and key employees to purchase up to 215,000 shares of the Company's common stock in the period from May 25, 2003 to May 25, 2005. The options were granted at an exercise price of ¥609.

At the general stockholders meeting held on May 23, 2002, the Company's stockholders approved the following stock option plan for the Company's key employees. The plan provides for granting options to key employees to purchase up to 575,000 shares of the Company's common stock in the period from May 24, 2004 to May 25, 2005. The options were granted at an exercise price of ¥542.

For the year ended February 28, 2006, the Company issued 121,000 shares of common stock because of the exercise of stock option described above. This issuance resulted in an increase of the amount of common stock and capital surplus of ¥31 million (\$267 thousand), respectively. Stock issuance costs are charged to income as incurred.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the stockholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to stockholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the stockholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the stockholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of stockholders' equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of stockholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the ASBJ published a new accounting standard for presentation of stockholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of stockholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

10. RELATED PARTY TRANSACTIONS

Transactions with an unconsolidated subsidiary and the Parent for the years ended February 28, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Transaction volume by credit card and personal credit contracts	¥ 201,581	¥ 228,240	\$ 1,737,767

The balances due to or from such related parties as of February 28, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Investments in an unconsolidated subsidiary (included in investment securities)		¥ 15	
Accounts payable	¥ 3,961	489	\$ 34,147

11. FINANCIAL TRANSACTIONS AND EXPENSES

Financial transactions included in other revenues and expenses for the years ended February 28, 2006 and 2005, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Financial transactions:			
Interest income	¥ 80	¥ 82	\$ 690
Dividend income	8	58	69
Total	¥ 88	¥ 140	\$ 759
Financial expenses:			
Interest expense	¥ 9,970	¥ 10,885	\$ 85,948
Other	1,259	2,722	10,854
Total	¥ 11,229	¥ 13,607	\$ 96,802

12. LOSS ON RESTRUCTURINGS

Loss on restructurings mainly consists of loss on disposals of software accompanied by transfer of travel business and costs of additional retirement payments.

13. INCOME TAXES

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.5% and 41.8% for the years ended February 28, 2006 and 2005, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at February 28, 2006 and 2005, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Deferred tax assets:			
Tax loss carryforwards	¥ 2,920	¥ 15,268	\$ 25,172
Excess of tax allowance for provision of doubtful accounts	4,774	4,066	41,155
Write-off of operating receivables	4,210	3,703	36,293
Valuation loss on investment securities	467	2,160	4,026
Other	4,036	4,150	34,793
Less valuation allowance	(1,901)	(2,236)	(16,387)
Total	14,506	27,111	125,052
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(649)	(633)	(5,595)
Other	(3)	(3)	(27)
Net deferred tax assets	¥ 13,854	¥ 26,475	\$ 119,430

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended February 28, 2006 and 2005 is not disclosed due to no material difference between them.

14. LEASES

The Companies lease certain computer equipment, office space (including subleased properties) and other assets.

Total rental expenses were ¥4,325 million (\$37,284 thousand) and ¥5,364 million for the years ended February 28, 2006 and 2005, respectively. Such rental expenses included total lease payments of ¥875 million (\$7,543 thousand) and ¥984 million for the years ended February 28, 2006 and 2005, respectively, in connection with finance leases as described in Note 2.i.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense, interest expense of financial leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended February 28, 2006 and 2005, was as follows:

	Millions of Yen					
	2006			2005		
	Equipment	Software	Total	Equipment	Software	Total
Acquisition cost	¥ 4,117	¥ 46	¥ 4,163	¥ 5,089		¥ 5,089
Accumulated depreciation	2,840	8	2,848	3,374		3,374
Net leased property	¥ 1,277	¥ 38	¥ 1,315	¥ 1,715		¥ 1,715

	Thousands of U.S. Dollars		
	2006		
	Equipment	Software	Total
Acquisition cost	\$ 35,491	\$ 397	\$ 35,888
Accumulated depreciation	<u>24,483</u>	<u>69</u>	<u>24,552</u>
Net leased property	<u>\$ 11,008</u>	<u>\$ 328</u>	<u>\$ 11,336</u>

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥ 628	¥ 760	\$ 5,414
Due after one year	<u>744</u>	<u>1,026</u>	<u>6,414</u>
Total	<u>¥ 1,372</u>	<u>¥ 1,786</u>	<u>\$ 11,828</u>

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases. Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, computed by the straight-line method and the interest method were ¥796 million (\$6,862 thousand) and ¥68 million (\$586 thousand) for the year ended February 28, 2006 and ¥892 million and ¥91 million for the year ended February 28, 2005, respectively.

Future minimum lease receipts as lessor under operating leases for remaining lease periods, as of February 28, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥ 37	¥ 34	\$ 319
Due after one year	<u>300</u>	<u>332</u>	<u>2,586</u>
Total	<u>¥ 337</u>	<u>¥ 366</u>	<u>\$ 2,905</u>

15. CONTINGENT LIABILITIES

As of February 28, 2006, the Companies were contingently liable as a guarantor for borrowings of customers in an amount of ¥1,018 million (\$8,776 thousand).

16. DERIVATIVES

The Companies enter into interest rate swap agreements as a means of managing their interest rate exposure on long-term debt.

It is the Companies' policy not to hold or issue derivatives for speculative or trading purposes.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

Because the counterparties to those derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Market value information for the years ended February 28, 2006 and 2005, is not disclosed because all of the derivatives qualified for hedge accounting and met specific matching criteria.

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended February 28, 2006 and 2005 are as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
<u>Year Ended February 28, 2006</u>				
Basic EPS—Net income available to common stockholders	¥ 18,324	213,337	<u>¥ 85.89</u>	<u>\$ 0.74</u>
Effect of dilutive securities—Warrants	—	<u>13</u>		
Diluted EPS—Net income for computation	<u>¥ 18,324</u>	<u>213,350</u>	<u>¥ 85.89</u>	<u>\$ 0.74</u>
<u>Year Ended February 28, 2005</u>				
Basic EPS—Net income available to common stockholders	¥ 15,779	212,512	<u>¥ 74.25</u>	
Effect of dilutive securities—Warrants	—	<u>588</u>		
Diluted EPS—Net income for computation	<u>¥ 15,779</u>	<u>213,100</u>	<u>¥ 74.05</u>	

18. SUBSEQUENT EVENTS

At the general stockholders meeting held on May 26, 2006, the stockholders approved the following:

a. Appropriations of Retained Earnings

Appropriations of retained earnings at February 28, 2006 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10.0 (\$0.09) per share	¥ 2,115	\$ 18,233
Bonuses to directors and corporate auditors	<u>39</u>	<u>336</u>

b. Purchase of Treasury Stock

Pursuant to the revision of the Code, the Company revised its articles of incorporation so as the Company could repurchase its common stock as treasury stock by resolution of the Board of Directors.

19. SEGMENT INFORMATION

Information about operations in different industry segments, foreign operations and operating revenues from foreign customers of the Companies for the years ended February 28, 2006 and 2005, was as follows:

(1) Operations in Different Industries

Operations in financial services for the years ended February 28, 2006 and 2005, were more than 90% of consolidated operating revenues, operating income and assets, and accordingly, segment information in different industries is not disclosed for fiscal 2006 and 2005.

(2) Foreign Operations

There are no consolidated overseas subsidiaries.

(3) Operating Revenues from Foreign Customers

Operating revenues from foreign customers are less than 10% of consolidated operating revenues.

* * * * *

INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte Touche Tohmatsu
MS Shibaura Building
4-13-23 Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81(3)3457 7321
Fax: +81(3)3457 1694
www.deloitte.com/jp

To the Board of Directors and Stockholders of
OMC Card, Inc.:

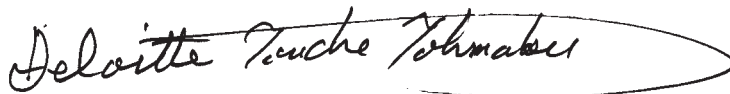
We have audited the accompanying consolidated balance sheets of OMC Card, Inc. (the "Company") and consolidated subsidiaries (together, the "Companies") as of February 28, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OMC Card, Inc. and consolidated subsidiaries as of February 28, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 3 to the consolidated financial statements, the Companies changed their methods of accounting for the cost of credit card points redemption and for retirement benefits to directors and corporate auditors as of March 1, 2004, both from cash basis to accrual basis accounting.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

A handwritten signature in cursive script that reads "Deloitte Touche Tohmatsu". The signature is written in black ink and is enclosed within a thin, hand-drawn oval border.

May 26, 2006

Corporate Data (As of February 28, 2006)

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

1,210

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

F BALANCE, Inc.
Insurance agency

Companies Accounted for by the Equity Method

NIHON KYOEI SECURITIES Co., Ltd.
Securities

Nichiryō OHC Co., Ltd.
Travel agency

Investor Information (As of February 28, 2006)

Paid-in Capital
¥43,343,660,026

Common Stock
Authorized: 670,000,000 shares
Issued: 213,682,082 shares
Number of Stockholders: 8,285

Stock Exchange Listing
Tokyo Stock Exchange

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

Independent Auditors
Tohmatsu & 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)

	2006		2005		2004	
	High	Low	High	Low	High	Low
1st quarter	1,387	1,178	994	515	308	223
2nd quarter	1,594	1,277	1,273	904	420	297
3rd quarter	2,090	1,461	1,310	1,004	423	334
4th quarter	3,040	1,800	1,357	1,170	525	385



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)