

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.

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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:

February 28, 2006	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
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		<u>(341)</u>	
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	<u>341</u>	<u>703</u>	<u>2,940</u>
Net periodic benefit costs	871	1,726	7,509
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.

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INDEPENDENT AUDITORS' REPORT

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

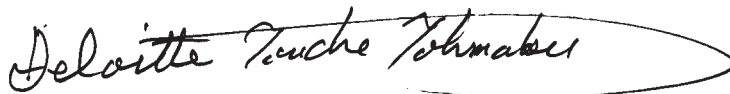
We have audited the accompanying consolidated balance sheets of OMC Card, Inc. (the "Company") and consolidated subsidiaries (together, the "Companies") as of February 28, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, 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 enclosed within a hand-drawn oval.

May 26, 2006