

Strong Foundations, Enduring Success



ANNUAL REPORT
2006

For the year ended February 28, 2006

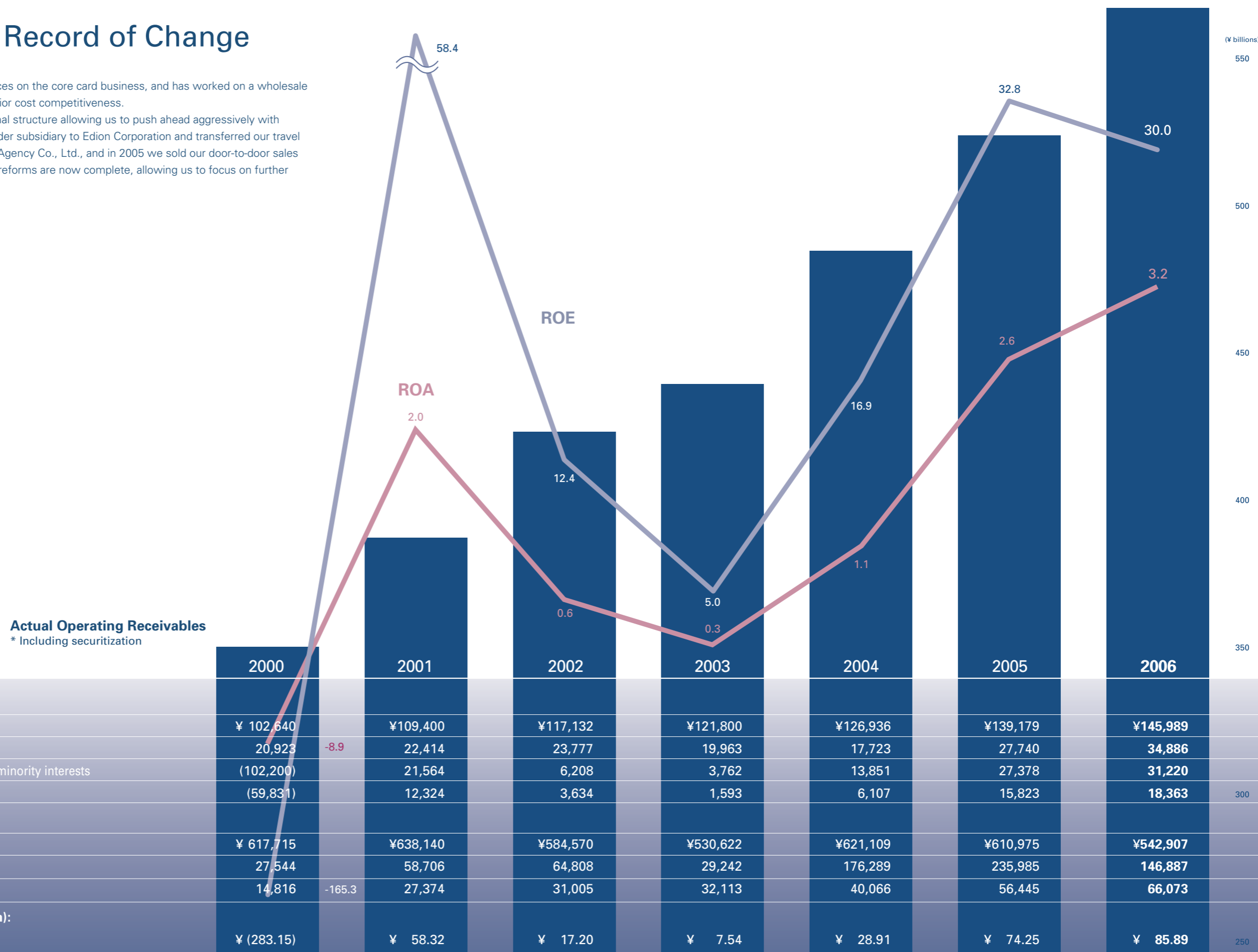


OMC Card, Inc.

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	¥ 102,640	¥109,400	¥117,132	¥121,800	¥126,936	¥139,179	¥145,989
Operating income	20,923	22,414	23,777	19,963	17,723	27,740	34,886
Income (loss) before income taxes and minority interests	(102,200)	21,564	6,208	3,762	13,851	27,378	31,220
Net income (loss)	(59,831)	12,324	3,634	1,593	6,107	15,823	18,363

At Year-End:

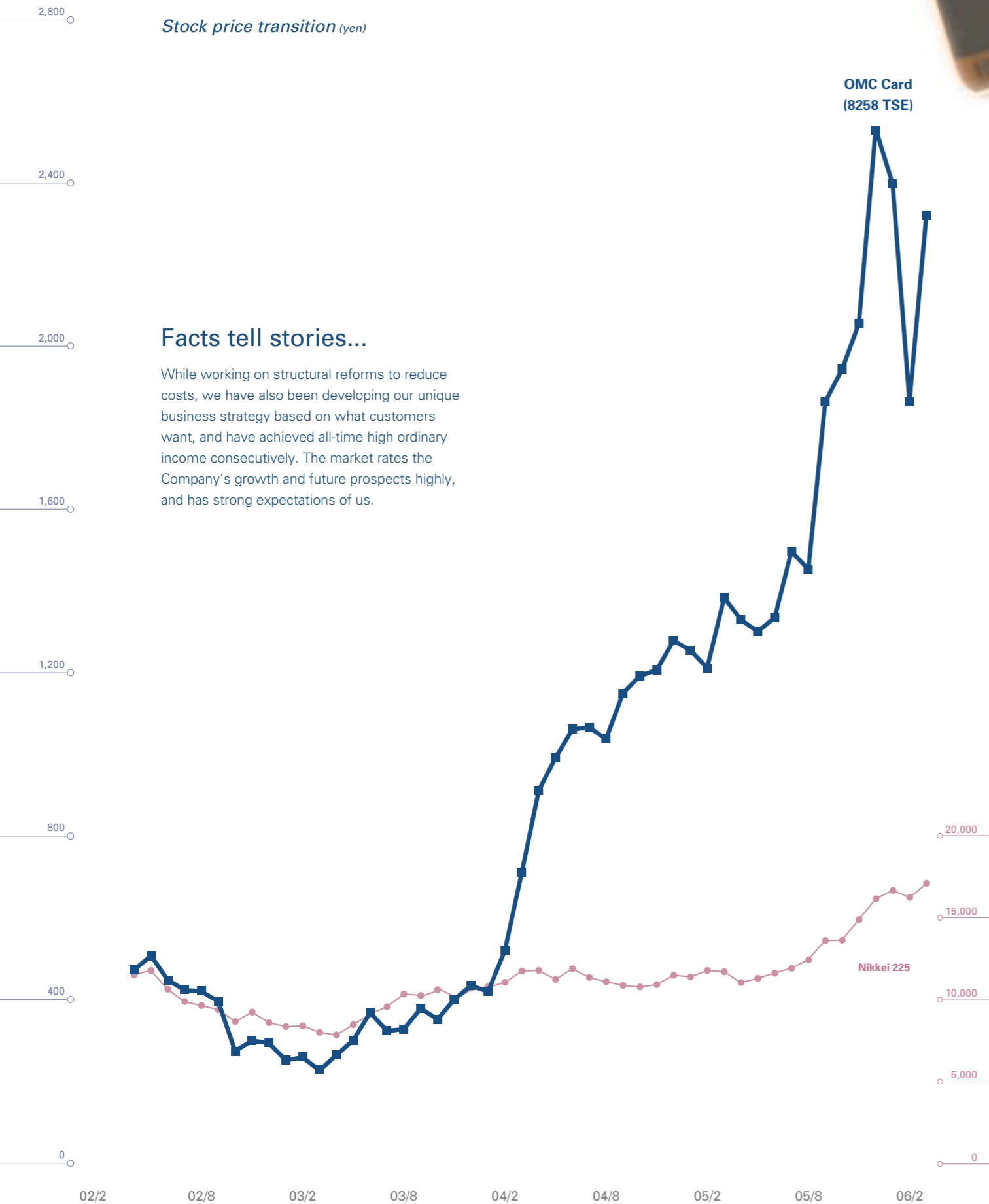
Total assets	¥ 617,715	¥638,140	¥584,570	¥530,622	¥621,109	¥610,975	¥542,907
Long-term debt	27,544	58,706	64,808	29,242	176,289	235,985	146,887
Total stockholders' equity	14,816	27,374	31,005	32,113	40,066	56,445	66,073

Per Common Share Amounts (yen):

Basic net income (loss)	¥ (283.15)	¥ 58.32	¥ 17.20	¥ 7.54	¥ 28.91	¥ 74.25	¥ 85.89
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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.



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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)

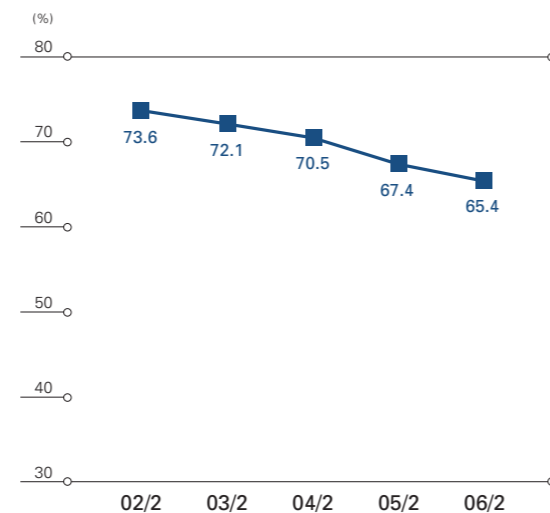
Position	Company
1st	JCB Group
2nd	Credit Saison + UC Group
3rd	VISA Japan
4th	UFJ NICOS
5th	DC Group
6th	AEON Credit Service
7th	OMC Card
8th	Orico
9th	JAL Card
10th	TOYOTA Finance

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

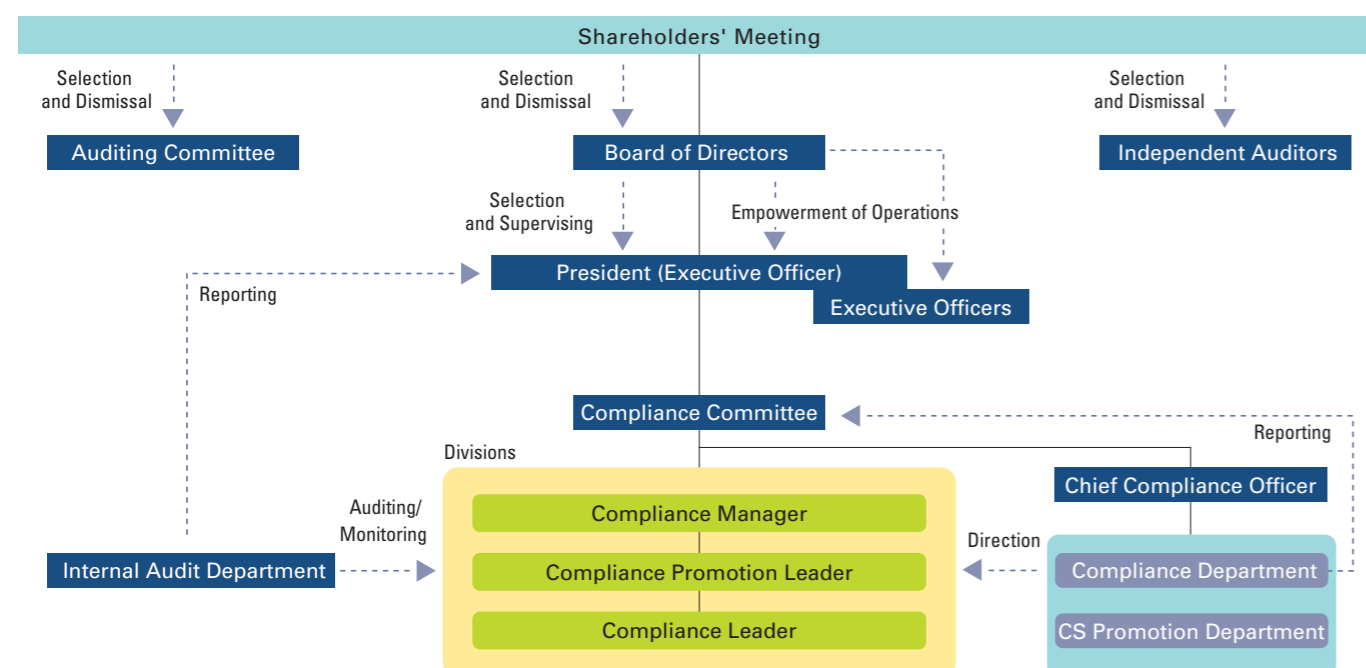
Hiroyuki Namiki Masakazu Yamashita Junichi Naitoh Shinshi Yamamoto Yasuhiro Keira Takeo Mayumi

Full-Time Corporate Auditors

Akira Nakao Syunji Matsuno

Corporate Auditors

Hiroshi Takeuchi Yutaka Hori Yoshiaki Takahashi

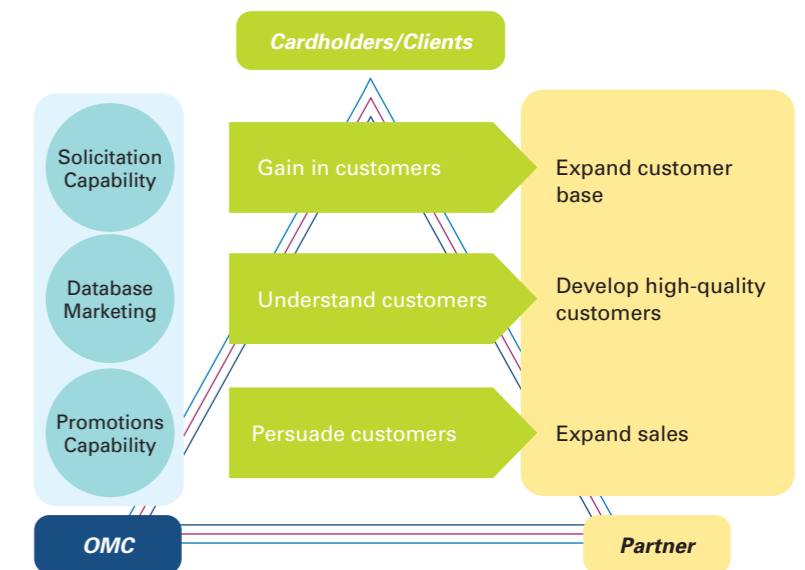


Only Point of Sale Credit Card Issuing System in the Industry

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.

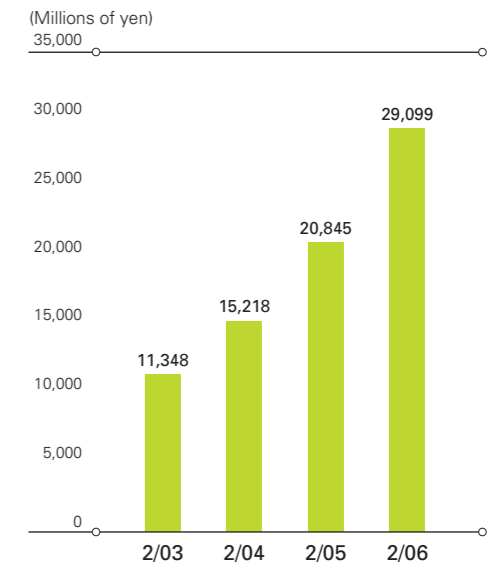




Personalized Message:

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.

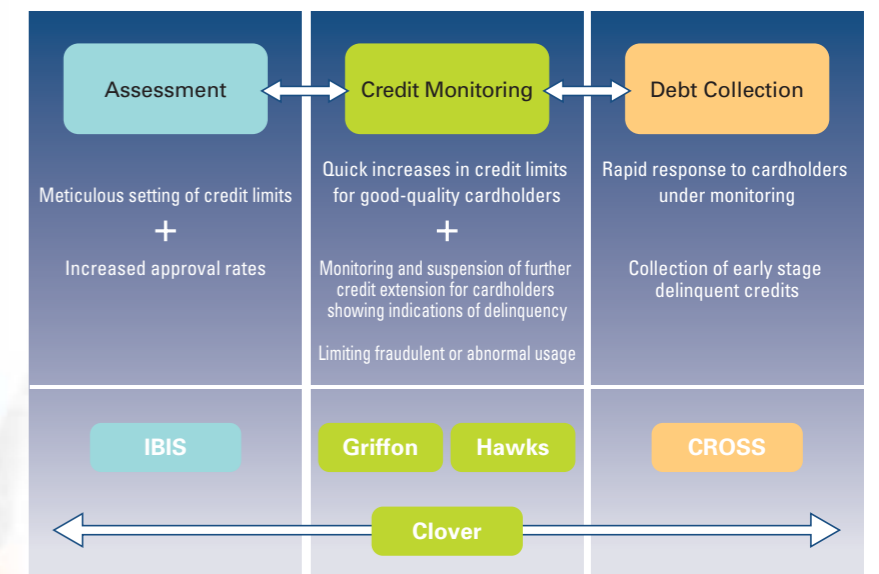
Enhancing Lives, Adding Value
for Individual Life Stages

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.

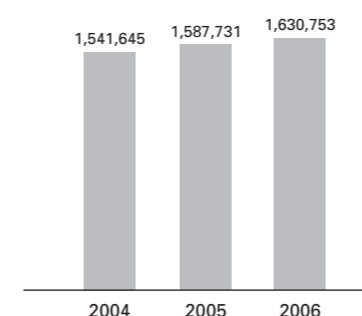
By contrast, the disposals of the travel business division and the door-to-door sales business of the merchandise sales division, made in the previous fiscal year as part of a Companywide business restructuring, caused declines in travel business revenues and profit from merchandise sales of ¥1,223 million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

Operating Expenses

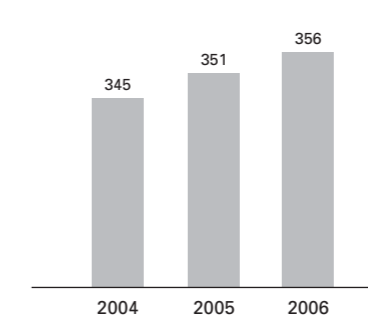
Consolidated total operating expenses in the fiscal year under review declined by 0.3% year on year to ¥111,103 million (US\$957,785 thousand). The principal reason was the decline in financial expenses of ¥2,378 million (US\$20,500 thousand), which offset a rise in selling, general and administrative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

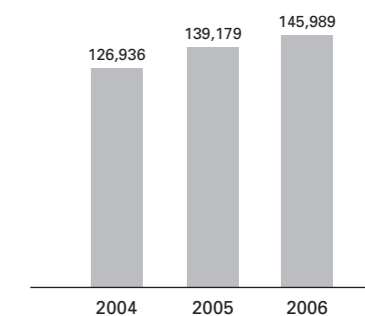
Transaction Volume
(¥ millions)



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.

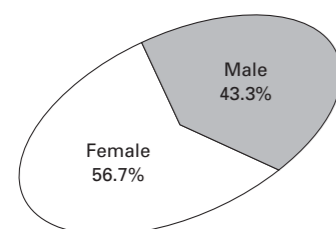
As a result of these factors, cash and cash equivalents at the end of the fiscal year under review declined by ¥43,892 million (US\$378,379 thousand) year on year, to ¥90,641 million (US\$781,388 thousand).

Financial Policies

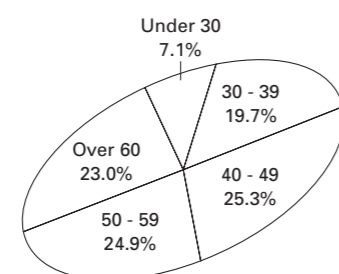
OMC Card recognizes the paramount importance of building a sound and robust financial structure. To that end, we are working to strengthen our financial foundation, boost our creditworthiness, and enhance our corporate value.

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

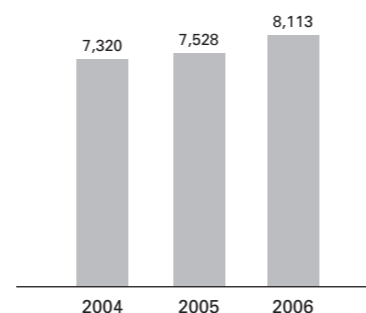
Cardholders by Gender



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

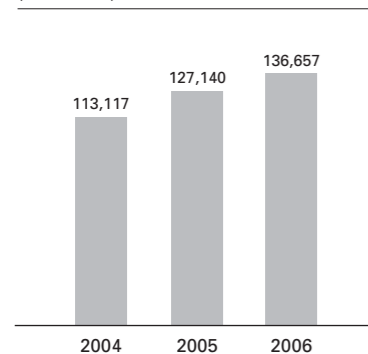
The OMC Group seeks to ensure a stable fund supply by raising funds using diverse methods and increasing the long-term proportion of its debt. However, changing interest rate conditions and the erosion of profits at Group companies may reduce creditworthiness, leading to less favorable borrowing terms, 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

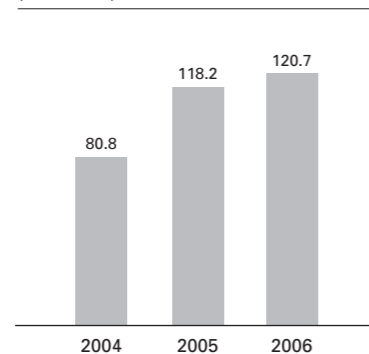
Changes to the Installment Sales Law or the Money-Lending Business Control and Regulation Law could lead to cost increases related to changing the terms (rules) of customer contracts, notifying customers of changes, altering investment practices, and stepping up systems investment. These could erode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

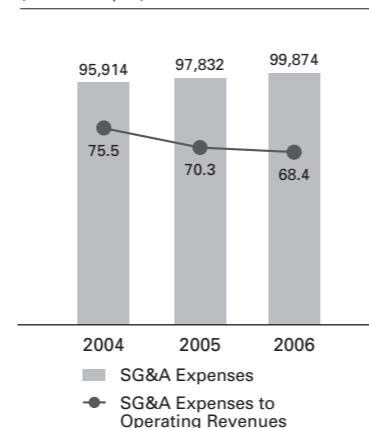
Operating Revenues of Card-Related Business (¥ millions)



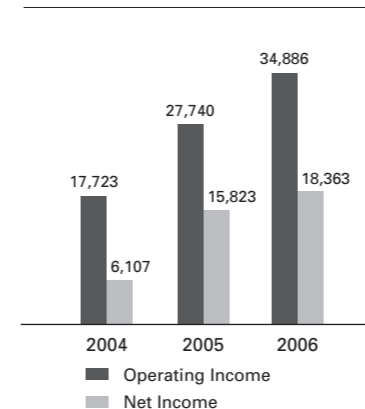
Operating Revenues per Employee (¥ millions)



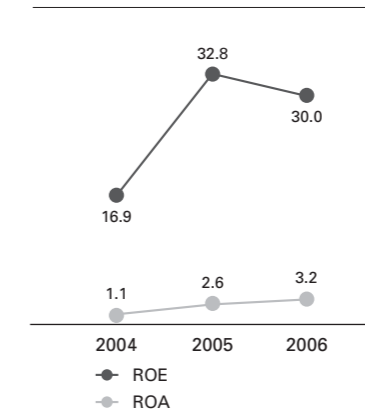
SG&A Expenses and SG&A Expenses to Operating Revenues (¥ millions, %)



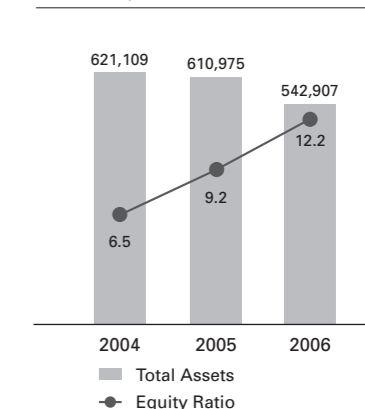
Operating Income and Net Income (¥ millions)



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.

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)