

## OMC Card, Inc. and Consolidated Subsidiaries

### Consolidated Balance Sheets February 28, 2007 and 2006

<u>ASSETS</u>	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars (Note 1)</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	¥ 82,211	¥ 90,641	\$ 696,703
Operating receivables:			
Installment sales (Note 5)	138,760	122,657	1,175,932
Operating loans (Note 5)	356,993	298,852	3,025,364
Deferred tax assets (Note 13)	13,670	11,963	115,847
Prepaid expenses and other current assets	21,484	30,025	182,069
Allowance for doubtful accounts	(40,068)	(33,153)	(339,559)
Total current assets	<u>573,050</u>	<u>520,985</u>	<u>4,856,356</u>
<b>PROPERTY AND EQUIPMENT:</b>			
Buildings and structures	1,500	2,708	12,712
Equipment	511	506	4,331
Land	1	1,589	8
Total	<u>2,012</u>	<u>4,803</u>	<u>17,051</u>
Accumulated depreciation	(707)	(2,041)	(5,992)
Net property and equipment	<u>1,305</u>	<u>2,762</u>	<u>11,059</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Note 4)	5,719	4,600	48,466
Software	9,000	7,860	76,271
Guarantee money deposited	2,441	2,800	20,686
Deferred tax assets (Note 13)	10,371	1,894	87,890
Other assets	3,233	2,006	27,399
Total investments and other assets	<u>30,764</u>	<u>19,160</u>	<u>260,712</u>
<b>TOTAL</b>	<u>¥ 605,119</u>	<u>¥ 542,907</u>	<u>\$ 5,128,127</u>

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings (Note 7)	¥ 83,500	¥ 61,164	\$ 707,627
Current portion of long-term debt (Note 7)	114,398	200,280	969,475
Accounts payable (Note 11)	28,203	25,755	239,008
Deposits received (Note 8)	25,099	22,528	212,703
Accrued expenses	7,323	8,408	62,059
Income taxes payable	12,679	474	107,449
Allowance for credit card points redemption (Note 2.j)		1,930	
Deferred revenue (Note 5)	949	988	8,042
Other current liabilities (Note 13)	5,667	4,153	48,027
<b>Total current liabilities</b>	<b>277,818</b>	<b>325,680</b>	<b>2,354,390</b>
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Note 7)	225,316	146,887	1,909,458
Allowance for credit card points redemption (Note 2.j)	3,034		25,712
Liability for retirement benefits (Note 9)	2,979	3,245	25,246
Allowance for losses on interest refunds (Note 2.l)	18,914		160,288
Other long-term liabilities	1,268	834	10,745
<b>Total long-term liabilities</b>	<b>251,511</b>	<b>150,966</b>	<b>2,131,449</b>
<b>MINORITY INTERESTS</b>		<b>188</b>	
<b>CONTINGENT LIABILITIES (Note 15)</b>			
<b>EQUITY (Notes 10 and 18):</b>			
Common stock—authorized, 670,000,000 shares; issued, 213,682,082 shares in 2007 and 2006	43,344	43,344	367,322
Capital surplus	537	537	4,551
Retained earnings	35,961	26,307	304,754
Unrealized gain on available-for-sale securities	854	1,061	7,237
Treasury stock—at cost, 2,114,393 shares in 2007 and 2,169,160 shares in 2006	(5,044)	(5,176)	(42,746)
<b>Total</b>	<b>75,652</b>	<b>66,073</b>	<b>641,118</b>
Minority interests	138		1,170
<b>Total equity</b>	<b>75,790</b>	<b>66,073</b>	<b>642,288</b>
<b>TOTAL</b>	<b>¥ 605,119</b>	<b>¥ 542,907</b>	<b>\$ 5,128,127</b>

## OMC Card, Inc. and Consolidated Subsidiaries

### Consolidated Statements of Income Years Ended February 28, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING REVENUES (Note 5):			
Fees from customers and affiliated stores	¥ 26,553	¥ 25,286	\$ 225,025
Personal loan revenues	114,863	106,734	973,415
Annual membership fees and other (Note 12)	13,968	13,969	118,374
Total operating revenues	<u>155,384</u>	<u>145,989</u>	<u>1,316,814</u>
OPERATING EXPENSES:			
Selling, general and administrative expenses	112,024	99,874	949,356
Financial expenses (Note 12)	10,619	11,229	89,992
Total operating expenses	<u>122,643</u>	<u>111,103</u>	<u>1,039,348</u>
OPERATING INCOME	32,741	34,886	277,466
OTHER INCOME (EXPENSES):			
Gain on sales of marketable and investment securities	91	2,608	771
Loss on sales of fixed assets	(911)	(4,947)	(7,720)
Provision for doubtful accounts	(1,735)		(14,703)
Provision for losses on interest refunds (Note 2.l)	(10,958)		(92,864)
Charge for transitional obligations for retirement benefits (Note 2.k)		(341)	
Other—net	(2,843)	(986)	(24,094)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>16,385</u>	<u>31,220</u>	<u>138,856</u>
INCOME TAXES (Note 13):			
Current	12,477	213	105,737
Deferred	(10,041)	12,606	(85,093)
Total income taxes	<u>2,436</u>	<u>12,819</u>	<u>20,644</u>
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	<u>(5)</u>	<u>(38)</u>	<u>(43)</u>
NET INCOME	<u>¥ 13,944</u>	<u>¥ 18,363</u>	<u>\$ 118,169</u>
		Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.t and 17):			
Basic net income	¥ 65.92	¥ 85.89	\$ 0.56
Diluted net income		85.89	
Cash dividends applicable to the year	20.00	17.50	0.17

See notes to consolidated financial statements.

# OMC Card, Inc. and Consolidated Subsidiaries

## Consolidated Statements of Changes in Equity Years Ended February 28, 2007 and 2006

	Thousands Outstanding Number of Shares of Common Stock	Millions of Yen							
		Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 1, 2005	213,422	¥ 43,313	¥ 506	¥ 11,724	¥ 991	¥ (89)	¥ 56,445		¥ 56,445
Net income				18,363			18,363		18,363
Dividends paid (¥17.5 per share)				(3,736)			(3,736)		(3,736)
Bonuses to directors and corporate auditors				(44)			(44)		(44)
Exercise of stock option	121	31	31				62		62
Net change in treasury stock	(2,030)		0			(5,087)	(5,087)		(5,087)
Net increase in unrealized gain on available-for-sale securities					70		70		70
BALANCE, FEBRUARY 28, 2006	211,513	43,344	537	26,307	1,061	(5,176)	66,073		66,073
Reclassified balance as of February 28, 2006 (Note 2.m)								¥ 188	188
Net income				13,944			13,944		13,944
Dividends paid (¥20.0 per share)				(4,231)			(4,231)		(4,231)
Bonuses to directors and corporate auditors				(39)			(39)		(39)
Purchase of treasury stock	(1)					(1)	(1)		(1)
Disposal of treasury stock (Note 3)	56		(0)	(20)		133	113		113
Net change in the year					(207)		(207)	(50)	(257)
BALANCE, FEBRUARY 28, 2007	211,568	¥ 43,344	¥ 537	¥ 35,961	¥ 854	¥ (5,044)	¥ 75,652	¥ 138	¥ 75,790

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, FEBRUARY 28, 2006	\$ 367,322	\$ 4,551	\$ 222,941	\$ 8,991	\$ (43,864)	\$ 559,941		\$ 559,941
Reclassified balance as of February 28, 2006 (Note 2.m)							\$ 1,593	1,593
Net income			118,169			118,169		118,169
Dividends paid (\$0.17 per share)			(35,856)			(35,856)		(35,856)
Bonuses to directors and corporate auditors			(331)			(331)		(331)
Purchase of treasury stock					(8)	(8)		(8)
Disposal of treasury stock (Note 3)		(0)	(169)		1,126	957		957
Net change in the year				(1,754)		(1,754)	(423)	(2,177)
BALANCE, FEBRUARY 28, 2007	\$ 367,322	\$ 4,551	\$ 304,754	\$ 7,237	\$ (42,746)	\$ 641,118	\$ 1,170	\$ 642,288

See notes to consolidated financial statements.

## OMC Card, Inc. and Consolidated Subsidiaries

### Consolidated Statements of Cash Flows Years Ended February 28, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2007</u>	<u>2006</u>	<u>2007</u>
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	¥ 16,385	¥ 31,220	\$ 138,856
Adjustments for:			
Income taxes—paid	(361)	(224)	(3,059)
Depreciation and amortization	3,466	3,499	29,373
Provision for doubtful accounts	7,085	3,157	60,042
Gain on sales of marketable and investment securities	(91)	(2,608)	(771)
Loss on sales of fixed assets	911	4,947	7,720
Changes in assets and liabilities:			
Increase in receivables	(74,166)	(17,593)	(628,525)
Increase (decrease) in accounts payable	2,448	(921)	20,746
Increase (decrease) in deposits received	2,486	(34,384)	21,068
Increase in allowance for credit card points redemption	1,104	350	9,356
Increase in allowance for losses on interest refunds	18,914		160,288
(Decrease) increase in liability for retirement benefits	(325)	522	(2,754)
Other—net	9,128	14,468	77,356
Total adjustments	<u>(29,401)</u>	<u>(28,787)</u>	<u>(249,160)</u>
Net cash (used in) provided by operating activities	<u>(13,016)</u>	<u>2,433</u>	<u>(110,304)</u>
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sales of fixed assets	666	3,970	5,644
Purchases of property, equipment and software	(5,365)	(2,850)	(45,466)
Proceeds from sales of investment securities	94	4,021	797
Purchases of investment securities	(1,500)	(16)	(12,712)
Other—net	(179)	1	(1,517)
Net cash (used in) provided by investing activities	<u>(6,284)</u>	<u>5,126</u>	<u>(53,254)</u>
<b>FINANCING ACTIVITIES:</b>			
Increase (decrease) in short-term borrowings—net	22,336	(100,426)	189,288
Proceeds from long-term debt	202,710	151,274	1,717,881
Repayments of long-term debt	(210,163)	(93,522)	(1,781,042)
Repurchase of treasury stock	(1)	(5,112)	(8)
Dividends paid	(4,206)	(3,719)	(35,644)
Other—net	—	62	—
Net cash provided by (used in) financing activities	<u>10,676</u>	<u>(51,443)</u>	<u>90,475</u>
FORWARD	¥ (8,624)	¥ (43,884)	\$ (73,083)

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## OMC Card, Inc. and Consolidated Subsidiaries

### Consolidated Statements of Cash Flows Years Ended February 28, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2007</u>	<u>2006</u>	<u>2007</u>
FORWARD	¥ (8,624)	¥ (43,884)	\$ (73,083)
CASH AND CASH EQUIVALENTS INCREASED BY MERGER	196		1,660
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	<u>(2)</u>	<u>(8)</u>	<u>(17)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,430)	(43,892)	(71,440)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>90,641</u>	<u>134,533</u>	<u>768,143</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 82,211</u>	<u>¥ 90,641</u>	<u>\$ 696,703</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, 2007 and 2006

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### 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.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of stockholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

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 2006 financial statements to conform to the classifications used in 2007.

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 ¥118 to \$1, the approximate rate of exchange as of February 28, 2007. 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, 2007 include the accounts of the Company and its 11 significant (14 in 2006) 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 two associated companies are accounted for by the equity method. The Company does not have any unconsolidated or associated company other than these two companies.

The differences between the cost underlying net equity of investments in consolidated subsidiaries and associated companies at acquisition are included in investments and other assets and are amortized on a 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. Business Combination**—In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005, the ASBJ issued ASBJ Statement No. 7, "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. However, the business combinations and business separations issued on or after May 1, 2006, the effective date of a new corporate law of Japan (the "Corporate Law"), also allowed to adopt these new accounting pronouncements.

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.

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.

The Company merged two wholly owned subsidiaries, ALPHA OMC Co., Ltd. and OMC Card Staff Co., Ltd., on February 1, 2007 and one fellow subsidiary on July 1, 2006, and accounted for them by the pooling of interests of accounting pronouncements mentioned above. The related goodwill is systematically amortized over 5 years with the exception of minor amounts which are charged to income in the period of merger.

- c. 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 which mature or become due within three months of the date of acquisition.
- d. 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.

As a certain subsidiary refined data to heighten the accuracy of its evaluation of potential losses on receivables outstanding, it re-evaluated the allowance for doubtful accounts. The result of this re-evaluation was a decrease in income before income taxes and minority interests for the year ended February 28, 2007 by ¥1,685 million (\$14,280 thousand).

- e. 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 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.

- f. 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 for buildings and structures is from 3 to 15 years, which was from 3 to 50 years for the year ended February 28, 2006.
- g. Software*—Software is amortized by the straight-line method over 5 years.
- h. Long-lived Assets*—In August 2002, the BAC issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the 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 Companies adopted the new accounting standard for impairment of fixed assets as of March 1, 2006.

The Companies review their long-lived assets for impairment whenever events or changes in circumstance indicate 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 effect of adoption of the new accounting standard for impairment of fixed assets for the year ended February 28, 2007 was not material.

- i. Stock Issue Costs*—Stock issue costs are charged to income as incurred.
- j. 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.

On June 1, 2006, the Company extended the validity term of most part of credit card points redemption from 1 year to 2 years. As it has become complicated to compute the redemption within 1 year due to this extension, allowance for credit card points redemption was accounted for as long-term liabilities as of February 28, 2007.

- k. 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.

In July 2006, the Company transferred its non-contributory defined benefit pension plan to the plan based on Defined Benefit Pension Plan Law, by which the former tax qualified plan was terminated. The Company applied accounting treatments specified in the guidance issued by the ASBJ. The effect of this transfer is to reduce planned benefit obligation of ¥104 million (\$881 thousand) and to recognize prior service cost with the same amount for the year ended February 28, 2007.

Retirement benefits to directors, corporate auditors and corporate officers are provided at the amount which would be required if all directors, corporate auditors and corporate officers retired at the balance sheet date.

The Company's general stockholders meeting held on May 26, 2006 approved the proposal offering to terminate retirement benefit plan for directors, corporate auditors and corporate officers, and to provide them with entitled retirement benefits at the time of retirements. According to this approval, allowance was fully reversed and remaining balance which had not paid by February 28, 2007 is reclassified to other long-term liabilities.

- l. Allowance for Losses on Interest Refunds*—The allowance for losses on interest refunds is stated in amounts considered to be appropriate based on the Company's past refund experiences and the recent situation regarding interest refunds.

In October 2006, "Application of Auditing for Provision of Allowance for Loss for Reclaimed Refund of Interest in the Accounting of Consumer Finance Companies" of the industry audit practice committee report No. 37 was issued by the Japanese Institute of Certified Public Accountants. The Company adopted this report from the beginning of the year ended February 28, 2007.

The effect of adoption of this report was to decrease income before income taxes and minority interests by ¥10,958 million (\$92,864 thousand).

- m. Presentation of Equity*—On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, 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. The consolidated balance sheet as of February 28, 2007 is presented in line with this new accounting standard.
- n. 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.
- o. Bonuses to Directors and Corporate Auditors*—Prior to the fiscal year ended February 28, 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. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Company adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended February 28, 2007. The effect of adoption of this accounting standard was not material.

- p. 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.

- q. 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.
- r. 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.
- s. 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.

- t. 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 respective years including dividends to be paid after the end of the year.

**u. New Accounting Pronouncements**

**Lease Accounting**—On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

### **3. MERGER**

Effective July 1, 2006, the Company merged with Daiei Insurance Agency, Inc., the wholly owned subsidiary of Daiei, Inc. which is parent of the Company as of February 28, 2007. Under the term of merger, the Company issued 0.766 shares of its common stock for each Daiei Insurance Agency, Inc. common share which resulted in disposal of 55,600 shares and decrease of ¥133 million (\$1,126 thousand) in treasury stock.

Assets acquired and liabilities assumed in this merger are not material, and note of non-cash investing and financing activities on consolidated statements of cash flows is not disclosed.

#### 4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of February 28, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2007</u>	<u>2006</u>	<u>2007</u>
Non-current:			
Marketable equity securities	¥ 2,287	¥ 2,644	\$ 19,381
Non-marketable equity securities	<u>3,432</u>	<u>1,956</u>	<u>29,085</u>
Total	<u>¥ 5,719</u>	<u>¥ 4,600</u>	<u>\$ 48,466</u>

Investments in two associated companies are included in non-marketable equity securities with the amount of ¥1,661 million (\$14,076 thousand) and ¥1,682 million as of February 28, 2007 and 2006, respectively.

The carrying amounts and aggregate fair values of marketable and investment securities as of February 28, 2007 and 2006, were as follows:

	Millions of Yen			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>February 28, 2007</u>				
Securities classified as available-for-sale—Equity securities	¥ 1,036	¥ 1,251		¥ 2,287
<u>February 28, 2006</u>				
Securities classified as available-for-sale—Equity securities	1,036	1,608		2,644
	Thousands of U.S. Dollars			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<u>February 28, 2007</u>				
Securities classified as available-for-sale—Equity securities	\$ 8,780	\$ 10,601		\$ 19,381

Available-for-sale securities whose fair value is not readily determinable as of February 28, 2007 and 2006, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	<u>2007</u>	<u>2006</u>	<u>2007</u>
Available-for-sale—Equity securities	¥ 3,432	¥ 1,956	\$ 29,085

Proceeds from sales of available-for-sale securities for the years ended February 28, 2007 and 2006, were ¥94 million (\$797 thousand) and ¥3,799 million, respectively. Gross realized gains on these sales for the year ended February 28, 2007, computed on the moving average cost basis, were ¥91 million (\$771 thousand). 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 and ¥1 million, respectively.

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

Installment sales receivable, operating loans receivable and deferred revenue as of February 28, 2007 and 2006, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2007		2006		2007	
	Receivable	Deferred Revenue	Receivable	Deferred Revenue	Receivable	Deferred Revenue
Installment sales receivable:						
Credit card contracts	¥ 135,334	¥ 634	¥ 117,429	¥ 435	\$ 1,146,898	\$ 5,373
Personal credit contracts	<u>3,426</u>	195	<u>5,228</u>	348	<u>29,034</u>	1,652
	<u>¥ 138,760</u>		<u>¥ 122,657</u>		<u>\$ 1,175,932</u>	
Operating loans receivable	<u>¥ 356,993</u>	<u>120</u>	<u>¥ 298,852</u>	<u>205</u>	<u>\$ 3,025,364</u>	<u>1,017</u>
		<u>¥ 949</u>		<u>¥ 988</u>		<u>\$ 8,042</u>

The securitized installment sales receivable and operating loans receivable, which were liquidated and not recognized on the accompanying consolidated balance sheets as of February 28, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Installment sales receivable	¥ 18,471	¥ 20,717	\$ 156,534
Operating loans receivable	<u>105,817</u>	<u>125,978</u>	<u>896,754</u>
Total	<u>¥ 124,288</u>	<u>¥ 146,695</u>	<u>\$ 1,053,288</u>

The trust beneficiary rights generated from the liquidation, which were included in operating receivables as of February 28, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Installment sales receivable	¥ 14,153	¥ 18,578	\$ 119,940
Operating loans receivable	<u>89,098</u>	<u>60,485</u>	<u>755,068</u>
Total	<u>¥ 103,251</u>	<u>¥ 79,063</u>	<u>\$ 875,008</u>

Amounts of transaction volume and realized operating revenue by type of contract for the years ended February 28, 2007 and 2006, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2007		2006		2007	
	Transaction Volume	Operating Revenue	Transaction Volume	Operating Revenue	Transaction Volume	Operating Revenue
Credit card contracts	¥ 940,258	¥ 26,163	¥ 885,051	¥ 24,708	\$ 7,968,288	\$ 221,720
Personal credit contracts	2,378	390	4,303	578	20,153	3,305
Loan contracts	534,272	114,863	558,185	106,734	4,527,729	973,415
Other	193,169	13,903	183,214	13,881	1,637,025	117,823
	<u>¥ 1,670,077</u>	<u>155,319</u>	<u>¥ 1,630,753</u>	<u>145,901</u>	<u>\$ 14,153,195</u>	<u>1,316,263</u>
Financial transactions		65		88		551
Total operating revenues		<u>¥ 155,384</u>		<u>¥ 145,989</u>		<u>\$ 1,316,814</u>

## 6. COMMITMENTS

The cashing and card loan agreements permit the customers to extend their loan up to the designated amounts. The balances of the outstanding commitment on the agreements as of February 28, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
	Total loan limits	¥ 2,062,208	¥ 1,982,452
Loan executions	<u>438,267</u>	<u>403,527</u>	<u>3,714,127</u>
Total	<u>¥ 1,623,941</u>	<u>¥ 1,578,925</u>	<u>\$ 13,762,212</u>

Since the agreements contain a provision that allows the Company to refuse loans to the customers or reduce commitment lines voluntarily due to change of customers' creditworthiness or similar condition change, outstanding commitment amounts do not equal to future loan cash flows of the Company.

## 7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of February 28, 2007 and 2006, consisted of notes to banks, bank overdrafts and loans from financing institutions. The weighted-average interest rates applicable to short-term borrowings as of February 28, 2007 and 2006 were 2.4% and 1.9%, respectively.

Long-term debt as of February 28, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
	Loans from banks and other financial institutions, due serially to 2014 with weighted-average interest rates of 1.8% in 2007 and 2.0% in 2006	¥ 339,714	¥ 347,167
Less current portion	<u>(114,398)</u>	<u>(200,280)</u>	<u>(969,475)</u>
Long-term debt, less current portion	<u>¥ 225,316</u>	<u>¥ 146,887</u>	<u>\$ 1,909,458</u>

Annual maturities of long-term debt outstanding as of February 28, 2007, were as follows:

<u>Year Ending February 28 or 29</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2008	¥ 114,398	\$ 969,475
2009	99,137	840,144
2010	115,065	975,127
2011	6,429	54,483
2012	4,045	34,280
2013 and thereafter	<u>640</u>	<u>5,424</u>
Total	<u>¥ 339,714</u>	<u>\$ 2,878,933</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.

## 8. 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 securitization basis.

## 9. RETIREMENT BENEFITS

The Company and certain consolidated subsidiaries have severance payment plans for employees, directors, 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 also have defined contribution plans on and after March 1, 2005.

The liability (asset) for employees' retirement benefits as of February 28, 2007 and 2006, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>
Projected benefit obligation	¥ 4,454	¥ 4,607	\$ 37,746
Fair value of plan assets	(1,636)	(1,490)	(13,865)
Unrecognized actuarial gain	42	(194)	356
Unrecognized prior service cost	<u>97</u>	<u>          </u>	<u>822</u>
Net liability	<u>¥ 2,957</u>	<u>¥ 2,923</u>	<u>\$ 25,059</u>

The components of net periodic benefit costs for the years ended February 28, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2007</u>	<u>2006</u>	<u>2007</u>
Service cost	¥ 421	¥ 412	\$ 3,568
Interest cost	89	88	754
Expected return on plan assets	(8)	(7)	(68)
Recognized actuarial loss	14	37	119
Amortization of transitional obligation		341	
Amortization of prior service cost	(7)		(59)
Net periodic benefit costs	<u>509</u>	<u>871</u>	<u>4,314</u>
Payment for the defined contribution plans	150	94	1,271
Payment for the voluntary early retirement program	<u>144</u>	<u>—</u>	<u>1,220</u>
Total	<u>¥ 803</u>	<u>¥ 965</u>	<u>\$ 6,805</u>

Assumptions used for the years ended February 28, 2007 and 2006, are set forth as follows:

	<u>2007</u>	<u>2006</u>
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.5%	0.5%
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

The liabilities for retirement benefits to directors, corporate auditors and corporate officers as of February 28, 2007 and 2006 are ¥22 million (\$187 thousand) and ¥322 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the stockholders.

## 10. EQUITY

On and after May 1, 2006, Japanese companies are subject to the Corporate Law, which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, 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) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

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. The Corporate Law 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 Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. 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 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 equity or deducted directly from stock acquisition rights.

**11. RELATED PARTY TRANSACTIONS**

Transaction with the parent company for the years ended February 28, 2007 and 2006, was as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>
Transaction volume by credit card and personal credit contracts	¥ 176,507	¥ 201,581	\$ 1,495,822

The balance due to the parent company as of February 28, 2007 and 2006, was as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>
Accounts payable	¥ 437	¥ 3,961	\$ 3,703

## 12. FINANCIAL TRANSACTIONS AND EXPENSES

Financial transactions included in other revenues and expenses for the years ended February 28, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Financial transactions:			
Interest income	¥ 65	¥ 80	\$ 551
Dividend income		8	
Total	<u>¥ 65</u>	<u>¥ 88</u>	<u>\$ 551</u>
Financial expenses:			
Interest expense	¥ 9,075	¥ 9,970	\$ 76,907
Other	1,544	1,259	13,085
Total	<u>¥ 10,619</u>	<u>¥ 11,229</u>	<u>\$ 89,992</u>

## 13. INCOME TAXES

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.5% for the years ended February 28, 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at February 28, 2007 and 2006, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets:			
Allowance for losses on interest refunds	¥ 7,661		\$ 64,924
Allowance for provision of doubtful accounts	5,698	¥ 4,774	48,288
Write-off of operating receivables	5,515	4,210	46,737
Tax loss carryforwards	1,869	2,920	15,839
Allowance for credit card points redemption	1,229		10,415
Liability for retirement benefits	1,197		10,144
Valuation loss on investment securities		467	
Other	3,522	4,036	29,847
Less valuation allowance	<u>(2,144)</u>	<u>(1,901)</u>	<u>(18,169)</u>
Total	24,547	14,506	208,025
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(506)	(649)	(4,288)
Other	<u>(2)</u>	<u>(3)</u>	<u>(17)</u>
Net deferred tax assets	<u>¥ 24,039</u>	<u>¥ 13,854</u>	<u>\$ 203,720</u>

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended February 28, 2007 is as follows:

	<u>2007</u>
Normal effective statutory tax rate	40.5%
Utilization of tax loss carryforwards succeeded from merged company	(30.7)
Effect of liquidation of consolidated subsidiary	2.7
Fluctuation of valuation allowance	1.5
Inhabitant taxes	0.6
Expense not deductible for income tax purposes	0.1
Others	<u>0.2</u>
Actual effective tax rate	<u>14.9%</u>

There is no material difference between the normal effective statutory tax rate and actual effective tax rate in the accompanying consolidated statement of income for the year ended February 28, 2006.

#### 14. LEASES

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

Total rental expenses were ¥3,215 million (\$27,246 thousand) and ¥4,325 million for the years ended February 28, 2007 and 2006, respectively. Such rental expenses included total lease payments of ¥821 million (\$6,958 thousand) and ¥875 million for the years ended February 28, 2007 and 2006, respectively, in connection with finance leases as described in Note 2.n.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligation under finance leases, depreciation expense, interest expense and other information 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, 2007 and 2006, was as follows:

	Millions of Yen					
	<u>2007</u>			<u>2006</u>		
	<u>Equipment</u>	<u>Software</u>	<u>Total</u>	<u>Equipment</u>	<u>Software</u>	<u>Total</u>
Acquisition cost	¥ 3,538	¥ 290	¥ 3,828	¥ 4,117	¥ 46	¥ 4,163
Accumulated depreciation	2,435	38	2,473	2,840	8	2,848
Accumulated impairment loss	<u>32</u>	—	<u>32</u>	—	—	—
Net leased property	<u>¥ 1,071</u>	<u>¥ 252</u>	<u>¥ 1,323</u>	<u>¥ 1,277</u>	<u>¥ 38</u>	<u>¥ 1,315</u>

	Thousands of U.S. Dollars		
	2007		
	Equipment	Software	Total
Acquisition cost	\$ 29,983	\$ 2,458	\$ 32,441
Accumulated depreciation	20,636	322	20,958
Accumulated impairment loss	<u>271</u>	<u>—</u>	<u>271</u>
Net leased property	<u>\$ 9,076</u>	<u>\$ 2,136</u>	<u>\$ 11,212</u>

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
	Due within one year	¥ 523	¥ 628
Due after one year	<u>873</u>	<u>744</u>	<u>7,399</u>
Total	<u>¥ 1,396</u>	<u>¥ 1,372</u>	<u>\$ 11,831</u>

Allowance for impairment loss on leased equipment of ¥32 million (\$271 thousand) as of February 28, 2007 is not included in the obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
	Depreciation expense	¥ 747	¥ 796
Interest expense	<u>63</u>	<u>68</u>	<u>534</u>
Total	<u>¥ 810</u>	<u>¥ 864</u>	<u>\$ 6,864</u>
Lease payments	¥ 821	¥ 875	\$ 6,958
Reversal of allowance for impairment loss on leased property	172		1,458
Impairment loss	205		1,737

Future minimum lease receipts as lessor under operating leases for remaining lease periods, as of February 28, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
	Due within one year	¥ 37	¥ 37
Due after one year	<u>263</u>	<u>300</u>	<u>2,229</u>
Total	<u>¥ 300</u>	<u>¥ 337</u>	<u>\$ 2,542</u>

## 15. CONTINGENT LIABILITIES

As of February 28, 2007, the Companies were contingently liable as a guarantor for borrowings of customers in an amount of ¥754 million (\$6,390 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, 2007 and 2006, 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, 2007 and 2006 are as follows:

	<u>Millions of Yen</u>	<u>Thousands of Shares</u>	<u>Yen</u>	<u>U.S. Dollars</u>
<u>Year Ended February 28, 2007</u>	<u>Net Income</u>	<u>Weighted-average Shares</u>		<u>EPS</u>
Basic EPS—Net income available to common stockholders	<u>¥ 13,944</u>	<u>211,547</u>	<u>¥ 65.92</u>	<u>\$0.56</u>
<u>Year Ended February 28, 2006</u>				
Basic EPS—Net income available to common stockholders	¥ 18,324	213,337	<u>¥ 85.89</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>	

Diluted EPS for the year ended February 28, 2007 is not disclosed because the Company does not have any outstanding dilutive securities at the year end.

## 18. SUBSEQUENT EVENT

The following appropriation of retained earnings at February 28, 2007 was approved at the Company's stockholders meeting held on May 25, 2007:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥10.0 (\$0.08) per share	¥ 2,116	\$ 17,932

## 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, 2007 and 2006, was as follows:

### *(1) Operations in Different Industries*

Operations in financial services for the years ended February 28, 2007 and 2006, were more than 90% of consolidated operating revenues, operating income and assets, and accordingly, segment information in different industries is not disclosed for fiscal 2007 and 2006.

### *(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.

\* \* \* \* \*

# Deloitte.

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

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

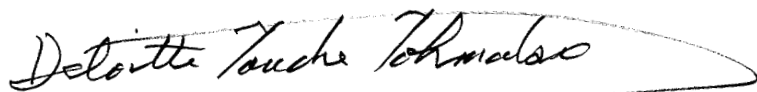
To the Board of Directors and Stockholders of  
OMC Card, Inc.:

We have audited the accompanying consolidated balance sheets of OMC Card, Inc. (the "Company") and consolidated subsidiaries (together, the "Companies") as of February 28, 2007 and 2006, and the related consolidated statements of income, changes in 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, 2007 and 2006, 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.

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.



May 25, 2007