



OMC Card, Inc.

For the Year Ended February 29, 2008

Annual Report 2008

# Moving, Changing, Growing



## Profile

With the credit card business as a vehicle, we make available products, information and services that best match the needs of our customers through their individual lifestyles and life stages, to build a lifetime partnership with our customers. This is the *Customer Value Chain* that is central to our business.

Operating firstly and foremostly as a retail credit card company, we strive for growth by continuing to strengthen our customer-centric business model with the aim of realizing a true *Customer Value Chain*.

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### Disclaimer Regarding Forward-Looking Statements

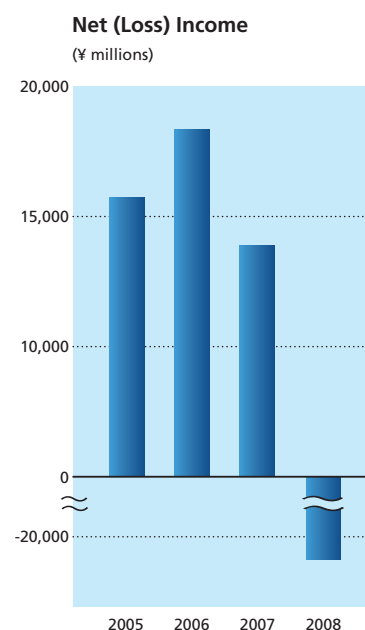
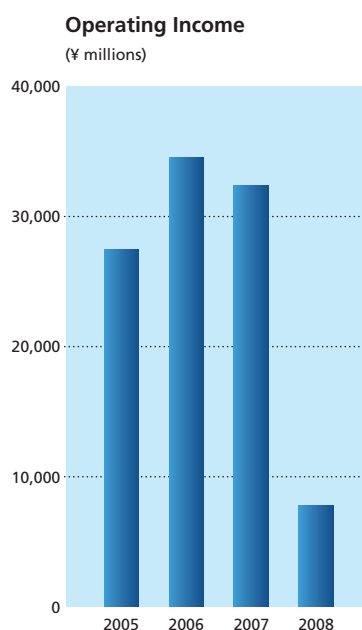
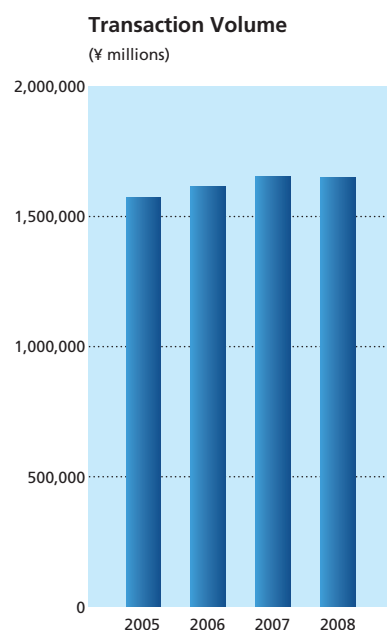
This annual report contains forward-looking statements about OMC Card's current plans, outlook, strategies, and beliefs based on management's assumptions in light of current information. Actual results may be significantly affected by various factors, including but not limited to, changes in the Japanese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

# Financial Highlights

OMC Card, Inc. and Consolidated Subsidiaries Years Ended February 29, 2008 and February 28, 2007	Millions of Yen (Except per share amounts)	Thousands of U.S. Dollars (Except per share amounts)	
	2008	2007	2008
<b>For the year:</b>			
Total operating revenues.....	¥151,602	¥155,384	\$1,457,712
Operating income.....	7,835	32,741	75,337
(Loss) income before income taxes and minority interests.....	(38,707)	16,385	(372,183)
Net (loss) income.....	(22,539)	13,944	(216,721)
<b>Per common share amounts:</b>			
Basic net (loss) income.....	¥(106.53)	¥65.92	\$(1.02)
Cash dividends applicable to the year.....	–	20.00	–
<b>At year-end:</b>			
Total assets.....	¥616,844	¥605,119	\$5,931,192
Long-term debt.....	176,224	225,316	1,694,462
Total equity.....	50,574	75,790	486,288

Notes: 1. All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥104=US\$1, the approximate rate of exchange as of February 29, 2008. Refer to Note 1 of the Notes to Consolidated Financial Statements.

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





# To Our Shareholders

**HIROMICHI FUNAHASHI**  
*Chairman and CEO*

## Overview of Consolidated Performance in the Fiscal Year Ended February 2008

### Achieved record high 2 million solicitations while improving cost performance

In the fiscal year ended February 2008, we adopted a series of wide-ranging initiatives to address future risks arising from the amended Money-Lending Industry Law that went into effect. At the same time, we reinforced our management base to cope more effectively with an ever-changing business environment by improving the profitability of our card shopping business, enhancing our fee businesses and streamlining our cost structure.

In our card business, we promoted our unique, alliance-based “MSP (Marketing Solutions Partner) model” strategy, which contributed to sales growth and the building of loyal customer bases for our card alliance partners, while issuing co-branded cards with seven partner firms during the fiscal year. In addition, we achieved a record high 2 million credit card solicitations, and our cardholder base reached 9.62 million at the end of the fiscal year.

In our card shopping business, we issued co-branded cards for such channels as discount consumer electronics vendors, which boast a higher ratio of revolving credit sales. Our initiatives to expand our cardholder base and, concurrently, promote card use through collaborations with our alliance partners, were also effective. Additionally, we aggressively enlisted subscribers to our “Ato-gime Plan” service—which allows cardholders the freedom to set their own monthly payments—at the solicitation phase to expand their shopping-related revolving credit balance. As a result of this, fees from customers rose by 12% in the fiscal year ended February 2008, surpassing the 6% increase recorded in the previous fiscal year, and total card shopping revenues grew by 8.1% to ¥28,287 million.

In our cash advances business, we focused on improving credit quality in response to the amended Money-Lending Industry Law as well as self-imposed rules of the industry by introducing stricter creditworthiness evaluation guidelines at

the interim book close of the fiscal year ended February 2008. The law also required that we lower interest rates to 18% and below for new transactions from September 2007. As a result, revenues from cash advances decreased by 4.8% year-on-year to ¥107,966 million, while total operating revenues declined by 2.4% year-on-year to ¥151,602 million. Meanwhile, we improved cost performance through closer management attention to business operations and by implementing a thorough review of every business process. We enhanced our solicitation activities by managing them on an hourly, in addition to weekly and daily, basis, for example, as well as optimizing staff allocation and keying on solicitation campaigns with higher response rates. As a result, our SG&A expenses, excluding credit cost, declined by 1.6% year-on-year to ¥71,128 million, despite achieving a record high in credit card solicitations. Nevertheless, we posted a ¥29,011 million interest refund loss and had to carry forward a major allowance provision for doubtful accounts. As a result, operating income declined 76.1% year-on-year, to ¥7,835 million, while ordinary income fell by 76.3%, to ¥7,900 million, and net loss totaled ¥22,539 million.

Although we closed the books for fiscal year ended February 2008 in the red, OMC Card was able to institute initiatives to address future risks and significantly enhance management’s capacity to cope with further changes in our business environment. We remain confident in our ability to steadily improve profitability by restructuring our revenue portfolio and cost structure, while initiating strategies for future growth to further enhance corporate value, thereby fully replying to the expectations of our shareholders.

## Amended Money-Lending Industry Law and Our Initiatives

### Committed to developing a self-regulating credit card industry

The credit card industry has had to shoulder the legal mandate of lowering interest rates on loans and revamping its creditworthiness evaluation guidelines following the amendment of the Money-Lending Industry Law, which was



enacted in response to consumer over-borrowing from multiple lenders. In addition, the dramatic reshaping of the business environment in which the industry operates will continue as revisions to the Installment Sales Law are in the process of being legislated with the aim of reinforcing regulatory safeguards for consumers.

In years past, our industry stood to benefit immensely as the vast majority of citizens used their credit cards in a prospering economy. We not only had the opportunity to track the pulse of the nation, we had the capacity to study emerging trends in society. Much to our collective regret, however, some companies failed either to exercise proper credit controls or to respond in an appropriate manner, and the issue consequently tarnished the entire industry. The sheer force of this negative public perception overwhelmed the industry's ability to police itself, and stringent government regulations were imposed as a result.

I believe it is imperative that not only OMC Card but the entire industry recommit itself to developing the credit card business that will coexist with society to the mutual benefit of both. Toward this end, I intend to carry out my duties as Vice President of the Japan Financial Services Association who represents the Consumer Credit Industry Association, by pushing forward the formulation of internal industry guidelines, rejuvenating public confidence and ensuring that the industry's future development will be as healthy as it is proper.

With regards to our credit assessment process for new loans, OMC will respond to the phased implementation of the amended Money-Lending Industry Law by structuring new credit control

models through extensive use of the IBIS system, and by ensuring stricter credit management. In the area of credit monitoring, we recently established a Credit Risk Management Center and adopted a system to respond quickly and flexibly to any changes in the credit status of our customers. Moreover, we have reinforced our in-house training system for outlet-based solicitation activities, which are essential to our MSP model. Through these initiatives, we seek to conduct solicitation activities that are in full compliance with regulations and readily understood by customers, demonstrating our company-wide commitment to operations that comply with both the letter and spirit of the Amended Money-Lending Industry Law, as well as our internal guidelines.

While the latest legal amendments have seriously impacted the way business has been conducted, I am confident that it also represents a wonderful opportunity for us to learn from our customers and restructure our business model.

## Our Proprietary Business Model

### Growth strategy founded on proprietary business model

With its origins in the retail industry, OMC has worked for over 15 years to respond immediately to a key customer need—to issue credit cards onsite. We have also continuously upgraded our database marketing capabilities in order to provide individual customers an optimal array of products, information and services that matches his or her lifestyle, and have developed and refined strategies to promote credit card usage. This range of expertise and technology base has been comprehensively integrated to create our MSP alliance model. Today, our co-branded cards—which have helped improve our alliance companies' businesses by heightening customer satisfaction, increasing sales, expanding the number of cardholders, and developing customer loyalty—have acquired an outstanding reputation among firms with marketing and CRM reinforcement needs.

In June 2005, for example, we entered into a business alliance with MR MAX CORPORATION, a major discount retail chain.

Prior to our alliance, the retailer had issued co-branded cards with another consumer credit company to some 40,000 customers over a period of more than 10 years. After shifting to our co-branded cards, however, the number of cardholders exceeded 500,000 by the end of February 2008. Equally important, the card utilization rate on the issued day reached some 80%—an astonishing figure since the annual utilization rate is believed to average some 40%. Another example of our co-branded card success: Since an initial offering in July 2007, Edion Group, which operates a chain of consumer electronics outlets, achieved over 100,000 solicitations in roughly six months. That number is expected to grow dramatically as more and more outlets engage in solicitation activities.

As interest rates on loans decline as a result of the amended Money-Lending Industry Law, credit card companies that offer little added value and lack cost competitiveness will be forced to exit the market. In addition, traditional business models based on rate reductions, such as lower fees from merchant store affiliates and rebates, generated from cash advances revenues are no longer viable.

Through the upcoming merger of OMC, Central Finance Co., Ltd. (“CF”) and QUOOQ Inc. (“QUOOQ”) and expansion of post-merger business field, we aim to maximize top-line synergy. Towards this end, we believe that the OMC business model and the solutions we provide will prove to be a powerful weapon for growth.

## Turning Change into Opportunity for Further Growth

### Developing each firm’s management resources, core competence to maximize corporate value

The Japanese credit card market has steadily expanded over the past 10 years and further growth is projected, buoyed by growth in petty cash settlements—from payment of medical bills and utilities to taxes—and as cashless demands are serviced through IC cards and e-money. At the same time, however, we are exposed to such downside risks as ceilings on interest rates are lowered under the amended Money-Lending Industry Law and borrowers seek refunds for

excessive interest charged in the past. Given Japan’s declining birthrate, moreover, long-term growth in the cardholding population cannot be expected.

In short, the trends of the past—in which companies could share in profits generated by a growing market—no longer exist. In order to survive today, it is imperative for credit card companies to secure sizable market share as quickly as possible and establish economies of scale, while upgrading their business infrastructure and accelerating the process of business productivity enhancement.

Compelled by these changes in the business environment, OMC, CF and QUOOQ agreed to a merger. On February 29, 2008, the three companies concluded a basic agreement to merge in order to establish the “largest class consumer finance company in Japan.” On the same day, OMC, together with Sumitomo Mitsui Financial



Group, Inc. (“SMFG”), Sumitomo Mitsui Banking Corporation (“SMBC”), Sumitomo Mitsui Card Co., Ltd. (“SMCC”) and Central Finance Co., Ltd. (“CF”), also unveiled its business strategy of the SMFG group for creating “the number one credit card business entity in Japan.”

Based in the Chubu area, CF operates a national network that extends to all 47 prefectures in Japan and it has long developed shopping credit, automobile loans and other installment credit businesses as a general consumer finance company. In addition to its strengths in businesses associated with credit cards affiliated and/or co-branded with various partners—including railway companies, travel agencies, oil companies, automobile-related industries and department stores—CF is also actively engaged in developing its strategic alliance with general trading firm Mitsui & Co., Ltd.

QUOO is a major player in the field of shopping credit, where it is one of the most active service providers in the credit sales industry, and its collection agency operations boasts an industry-leading track record in transaction processing volume. Another key business of QUOO is its proprietary petty claims purchasing scheme, in which it purchases in bulk small account receivables, monthly tuition receivables and similar claims.

A credit card company with its origin in the retail business, OMC is unique in the industry in that it is the only provider that issues within 15 minutes credit cards onsite as a truly consumer-oriented service. We also maintain the best-in-industry card utilization rate through the use of our sophisticated database marketing operations. Given the expertise and experience in membership solicitation and marketing capabilities that we have built up, we rank among the leaders in frequency of card usage and solicitation competence.

The merger will create one of Japan’s largest consumer finance companies, with some 22 million cardholders, ¥2,356.0 billion in credit card turnover and ¥1,150.8 billion in installment credit sales turnover.\* While the merged company will maintain a unified relationship with SMFG group as a member of its group, it will retain management autonomy as a listed firm. At the same time, as a core credit card company of SMFG group

which stands on a par with SMCC, the merged company will seek to create a people-oriented business model with unique characteristics and will aim at maximizing its corporate value through the development and furtherance of the above-described strengths of the three companies, using as a driving force the synergy of the credit card and installment credit businesses as a result of the three-firm merger.

Under SMFG group’s credit card business strategy, the merged company will create a common operational framework with SMCC and develop alliance synergies. As for systems and related infrastructure—in which cost-sharing will enhance the synergy effect—the merged company will collaborate in the development of a systems configuration optimizing our economy of scale, and the systems operated by SMCC and the merged company will be eventually integrated into one. The two companies will also co-develop next-generation systems in order to exploit to the fullest economies of scale on a Group-wide basis. Regarding sales and marketing, we will concentrate resources on the markets and channels in which SMCC and the merged company can maximize their individual strengths, and concurrently develop and advance the capabilities of SMFG group to meet the ever-evolving needs of our alliance companies. In order to respond to affiliated partners with a broad range of needs in which the strengths of SMCC and the merged company overlap, these strengths will be integrated to provide a comprehensive array of services and functions that transcend the segments of banking, retailing and credit, thereby maximizing our top-line synergy.

In this way, our merged company, as a core company of SMFG group, is committed to securing a leading position in the industry and to enhancing corporate value by fully exploiting the synergy generated from the merger of the three companies. We therefore ask our shareholders for your continued support and counsel.

June, 2008



Hiromichi Funahashi  
Chairman and CEO

\* Figures at the time of press release

# Corporate Governance

## OMC Card's Basic Corporate Governance Principles

The OMC Card Group recognizes its social responsibility to maintain corporate ideals honestly and with integrity by building solid relationships of trust with all its stakeholders.

In line with this objective, and with the intention of enhancing the public's trust in us, we have formulated "OMC Policy" as a set of guidelines for our business activities. Given that compliance is the foundation of good corporate governance, OMC Card has appointed a director to be responsible for compliance and internal controls and has established an Internal Control Committee and a Compliance Committee chaired by the director in charge of compliance. These committees ensure OMC Card abides by the law and, through the Compliance Committee, imparts an awareness of the Company's ethical platform by following the basic internal control policies discussed and determined by the Internal Control Committee.

Furthermore, the Company considers best practices in corporate governance to be an important management concern. Aiming to increase corporate value, the OMC Card Group is fulfilling its responsibilities by undertaking measures such as strengthening the effectiveness of its internal control systems, enhancing management efficiency by effectively using management resources and increasing transparency with timely and appropriate disclosure.

## Organizational Structure and Corporate Governance Systems (as of February 29, 2008)

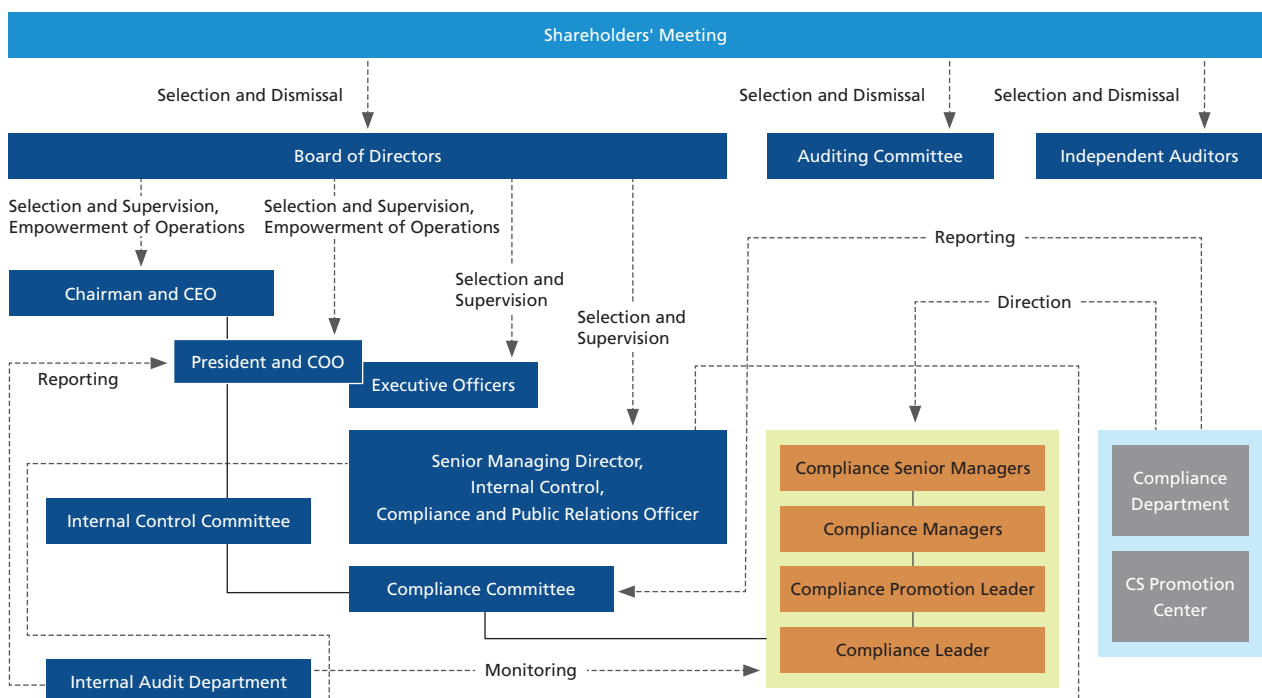
The Board of Directors, composed of seven directors (including four external directors), meets regularly once a month and, when necessary, in extraordinary sessions. The Board discusses both matters required by law and issues relating to the business.

The Company also appoints auditors to an Auditing Committee composed of five auditors (three external).

Auditors attend meetings of the Board of Directors, receive reports from the directors and other sources and inspect important official documents, among their other activities.

The Internal Audit Department audits the operations of each division, reports its findings to the president and representative director and gives appropriate feedback to the divisions.

The Internal Control Committee deliberates on and decides on basic policies related to internal controls, and based on the committee's resolutions, the Compliance Committee meets regularly to ensure a thorough awareness of the Company's ethical platform, as well as to discuss and determine compliance issues affecting the Company.



With the objective of strengthening the compliance system and ensuring the appropriate management and oversight of personal data, compliance senior managers, compliance managers, compliance promotion leaders, and compliance leaders are nominated and appointed in each division to ensure that their divisions are managed in line with “OMC Policy.”

The Compliance Department, under the control and supervision of the director in charge of compliance, provides advice and guidance on compliance to each division, reporting its findings to the Compliance Committee.

The Customer Service Center works to ensure that personal data is fully protected through appropriate management and oversight structures. Our corporate lawyers, acting as consultants, provide legal compliance checks and advice on important issues. The Company employs Tohmatsu & Co. as an independent auditor.

### **Risk Management Systems**

OMC Card 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 appropriately 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.

### **Internal Audit, Audit by Statutory Auditors and Auditing of Accounts**

OMC Card’s internal audit function is conducted by a structurally independent Audit Department of six people attached to the Internal Control Division, and they conduct their audits, including audits of affiliated companies, from a variety of perspectives such as internal controls, risk management and compliance. While reporting to the president and representative director, they work to improve their coordination with the statutory auditors by providing them with information and assisting them in other ways. The statutory auditors carry out rigorous audits based on their auditing policies and work to coordinate their activities with other areas within the management structure by attending meetings of the Board of Directors, receiving oral reports from the directors and other sources, inspecting important official documents and, when necessary, exchanging information and opinions with the independent auditors.

### **Personal, Capital, Business, and Other Relations of Interest between the Company and External Directors and Auditors**

Four of the Company’s outside directors and one of its external auditors are directors or executive officers of

The Daiei, Inc., an affiliate. The Company also has business dealings with The Daiei, Inc.

### **Special Remarks Regarding Issues in the Articles of Incorporation**

#### **Resolution Requirements Determining the Number of Directors and the Election of Directors**

According to the Articles of Incorporation, the Company may appoint up to 25 directors, and resolutions to elect directors may be passed only when there are sufficient shareholders present who are able to exercise at least one-third of the voting rights by a majority of those voting rights and not by accumulative votes.

#### **Matters Submitted for Resolution at the General Meeting of Shareholders and Decided by a Resolution of the Board of Directors**

##### **Interim Dividend**

Under the provisions of the Articles of Incorporation, pursuant to Article 454, Paragraph 5 of the Corporation Law of Japan, the Company may, by resolution of the Board of Directors, pay an interim dividend to shareholders or registered shareholders with rights entered or recorded in the shareholders’ register on August 31 every year, in order to compensate shareholders more flexibly.

##### **Acquisition of Its Own Shares**

Under the provisions of the Articles of Incorporation pursuant to Article 165, Paragraph 2 of the Corporation Law of Japan, in pursuit of a more flexible capital policy, the Company may, by resolution of the Board of Directors, acquire its own shares through market transactions and other methods.

#### **Requirements for Extraordinary Resolutions at the General Meeting of Shareholders**

For extraordinary resolutions by the General Meeting of Shareholders as defined by the Corporation Law of Japan, Article 309, Paragraph 2, the Company’s Articles of Incorporation require that such resolutions may only be passed when there are shareholders present able to exercise the voting rights of at least one-third of all shareholder voting rights, and when the resolution is passed by at least a two-thirds majority of the exercisable voting rights present. The objective of this requirement is to permit the smooth running of the General Meeting of Shareholders.

## Initiatives over the Past Year to Improve Corporate Governance

The Company believes that strengthening the internal control system is a significant managerial issue, and so as an initiative to strengthen corporate governance, on February 1, 2008, the Company revised its organization to establish an Internal Control Division that is independent of operational activities, to be responsible for compliance and internal controls and to be headed by the appointed director responsible for both compliance and internal controls. This new division allows the Company to unify the administration of its internal controls.

In addition, the Board of Directors, with the participation of outside directors, holds regular meetings to consider issues required by law and other significant issues relating to the business and to oversee the execution of the Company's operations.

In regards to another compliance-related activity, on September 1, 2007, we established "Compliance Standards," and revised the "OMC Consultation System Standards." October 2007 was designated internally as "OMC Business Ethics Month," whereby the Company held awareness-raising initiatives including instruction from the chairman and representative director via internal videos or messages from the president and representative director through internal publications. In addition, in July 2007 the Company invited its corporate lawyer to conduct compliance seminars, mainly for executive officers, and held group educational sessions for Compliance Group Managers in September 2007. The Company also regularly ran other compliance-related educational sessions for staff of all levels.

Regarding the oversight of personal data, even before the April 2005 implementation of the Personal Information Protection Law, OMC Card has continued to abide not only by the law but also by guidelines, industry rules, internal regulations, and other relevant provisions. In March 2007, the Company obtained a renewal of its approval to use the privacy mark, which signifies that it has met the requirements of JIS Q 15001:2006.

While tightening internal systems, the Company also continues to train employees in personal information protection. As a part of their continuing education, employees are encouraged by the Company to gain the Japan Consumer Credit Industry Association's Responsible Personal Data Manager 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.

## Remuneration of Corporate Officers and Auditors

Remuneration of directors .....	¥118 million
Remuneration of statutory auditors.....	¥48 million

The remuneration paid by the Company to Tohmatsu & Co. is as follows:

Remuneration for work stipulated in Article 2.1 of the Certified Public Accountants Law (Law No. 103 of 1948) .....	¥48 million
Remuneration for work other than the above .....	¥5 million

## Directors and Corporate Auditors

### Board of Directors

#### Representative Directors

**Hiromichi Funahashi**  
Chairman and CEO

**Shinji Ebata**  
President and COO

#### Senior Managing Directors

**Toshiharu Nariai**  
**Shinshi Yamamoto**

#### Managing Director

**Hiroyuki Namiki**

#### Director

**Masashi Hayashi**

#### Outside Directors

**Yoshiaki Takahashi**  
**Keiji Nakamae**

### Full-Time Corporate Auditors

**Akira Nakao**  
**Akiomi Narui**

### Corporate Auditors

**Yutaka Hori**  
**Eisuke Nagatomo**

# Corporate Social Responsibility

## CSR Activities



Ever since OMC Card was founded in 1950, we have operated on the belief that our success is contingent upon the support of every stakeholder, not just our customers, shareholders and employees, but our commercial partners, administrative bodies and the very communities in which we are based. As a credit card company with deep ties to the retail industry and general consumers, we therefore believe our *raison d'être* lies in enhancing corporate value by providing our customers with genuine value in many forms, developing both trust and confidence on a consistent basis, while contributing to the resolution of various social challenges of our times.

In order to remain an outstanding corporate citizen that retains the trust of our many stakeholders, OMC Card is actively involved in corporate activities that are truly contributive to society, from our strict adherence to the laws and regulations of our nation to social outreach initiatives, as well as the protection of human rights and the environment.

As part of our CSR activities in recent years, we have been a proactive participant in Team Minus 6%, a national initiative to tackle the alarming plight of global warming, while acquiring CO<sub>2</sub> emission rights through Sumitomo Mitsui Banking Corporation's global network. In addition, many employees and their families serve as volunteers in local conservation activities, collecting litter in such riverbed cleaning projects as Fukuoka Love Earth Cleaning UP and Yodogawa River Beautification Campaign.

OMC Card volunteers are also involved in community clean-up efforts for parks and roads located near our head office in Shinagawa and the area surrounding our office in Kikukawa. We are working to lessen environmental impact in the workplace through such energy and resource conservation activities as Cool Biz, another national initiative to reduce air-conditioner use, and by transitioning to a paperless environment; we also collect plastic bottle caps for recycling purposes as part of the ECOCAP project.

OMC Card is fully committed to its CSR initiatives as a core operating issue and will continue striving to reinforce bonds of trust with society, improve customer satisfaction and enhance corporate value.

## Offering Social Contribution-Type Cards

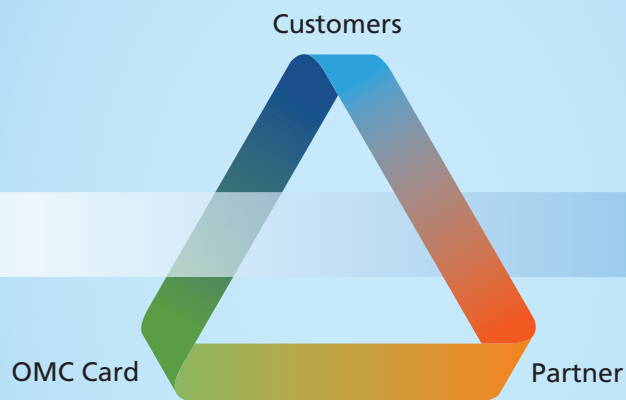
OMC Card has engaged in an initiative in which we develop and fund, that enables cardholders to donate a portion of their card spending in support of environmental or humanitarian assistance causes. In 1991, we began offering the *Chikyu ni Yasashii* (Earth-Friendly) Card, allowing cardholders to allocate 0.5% of what they spend as a donation made to The Defense of Green Earth Foundation to help fund environmental conservation and research groups involved in issues selected by the cardholder. More than ¥500 million has been donated to date, making it the largest social contribution-type card in the domestic credit card industry.

In addition, we offer the ATOM Card in support of children's charities and the Happy Mama Card for physically challenged children. In the term ended February 2008, we introduced the OSAKA Mercenat Card in order to help promote the culture of Osaka, with its heritage of exquisite traditional arts known as "Kamigata culture," through donations made to the Osaka Foundation of Culture. Through this diverse lineup of cards, OMC Card is working with our cardholders to broaden our contributions for the betterment of society.



*Our Advantages:*

# Moving, Changing, Growing



We are confident that continued improvements in our unique business model of responding faithfully to customers' needs, wants and complaints, will lead to overwhelming competitive strength. For OMC Card, CS is our starting point as we differentiate ourselves further from competitors.

# More Applications and Users with the MSP Model Alliances

## Our Advantages:

### Our Onsite Issuance System—Unique in the Credit Card Industry

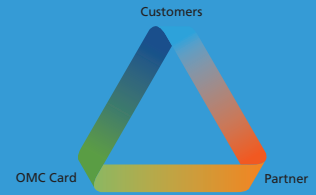
In order to respond to the demands of customers who seek to use their credit cards as soon as they have applied for them, OMC Card has over the past 15 years developed a system capable of issuing cards onsite. This capability not only demonstrates the superiority of our system, but also our expertise in such areas as credit assessment and sales methodologies.

Our onsite card issuance system incorporates the IBIS system, an automated credit scoring neural network (or artificial intelligence) which utilizes the advanced knowledge base of experienced credit evaluators. IBIS allows us to issue cards from a mere five to 15 minutes upon receipt of credit card application. It is also used to screen applications made via our website and promptly notify applicants the results based on the employment of strict credit assessment standards that are identical to non-web card applications.

The success of our onsite card issuance system, however, is not merely the outcome of sophisticated

systems infrastructure. It is also contingent upon solicitation channels, which serve as invaluable gateways through which customers first encounter and gain confidence in our services—and for this reason, we have devoted extensive resources to train our staff. Our staff must be prepared to communicate with customers effectively within a limited period of time on various points, including terms of use and range of cardholder benefits, while complying with regulations and conveying essential promotional information. To achieve such skills, for example, we regularly organize five-minute role-playing contests in which staff members are able to practice and hone, in the most effective manner and on an extemporaneous basis, our solicitation and sales approaches. We also offer a variety of training programs, from remedial classes by skill category to legal education and leadership development, to improve and built upon our collective knowhow and deliver maximum performance in terms of our solicitation and promotional activities.





## Superiority of our MSP Model

As a credit card company with origins in the retail industry, OMC Card offers co-branded cards in support of every aspect of our partner companies' sales strategies, contributing to growth in sales and cardholder membership, and building customer satisfaction for these companies. We achieve these results through our predominant strength in solicitations based on our onsite card issuance system\* developed over the years, and through the use of our proprietary database marketing and promotional programs.

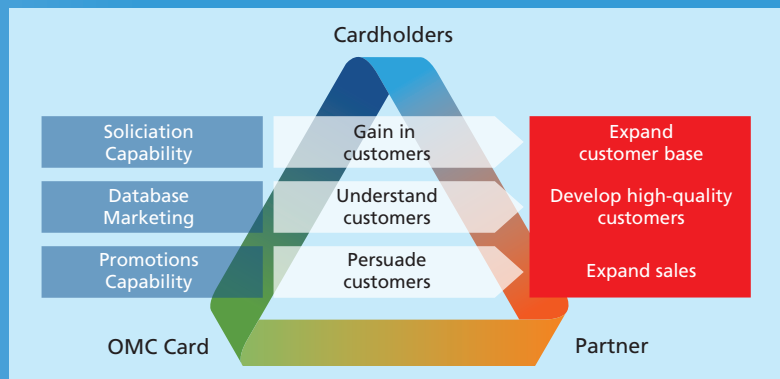
Members of our solicitation staff, for example, not only interface with customers directly at retail outlets of our partner companies, we also work together with these firms to develop and conduct sales promotion campaigns. Within minutes, we are able to issue onsite credit cards featuring special bonus points, contributing to increased sales and expanded card membership for our partner companies from that day. Furthermore, as part of our billing statement, we mail personalized information to our customers every month on merchandise and other promotions of our partner companies to attract customers to their stores. In this way, our co-branded cards not only serve as a tool for petty cash settlements but also profit our partner companies' main line of businesses.

Our cardholders not only have access to our products, then, they are provided with an optimal, personalized lineup of products, information and

services of firms that have partnered with us, creating a “win-win-win” situation for OMC Card, our partner companies and customers. Indeed, our Marketing Solutions Partner (MSP) business model is predicated on this very effort.

Employing this MSP model, we have entered into partnerships with seven new companies over the course of the fiscal year ended February 2008, and increased the number of cardholders to 9.62 million by the fiscal year's end. With our ever-evolving MSP model, we intend to expand the number of partnerships and solicitation sites. Our goal for the term ending March 2009 is to reach 2.3 million solicitations and deliver higher card transaction volume.

\*Through the use of our artificial intelligence-based automated credit scoring system, we can issue credit cards onsite at participating retail and other outlets, in no more than 15 minutes after receipt of application.



# Better Services and Products to the Promising Market

## Our Advantages:

### Highly Advanced Database Marketing

*OMC Card is also a marketing company*

OMC Card began focusing on the effectiveness of database marketing from early on, and has striven to refine and upgrade it ever since. In 1997, working with a major U.S. computer company, we developed a methodology in which we can collect, manage and analyze an enormous volume of cardholder data, and employ it in a variety of ways, including sales and card usage promotion purposes.

Among the many promotional tools we employ is our personalized card billing statement, which we began from 2000. Under our “One to One Marketing” program, the statements can incorporate up to 11 text messages tailored specifically to the individual cardholder, based on his or her attributes and spending trends. Another tool, MARKS, a system

which can conduct 10,000 test marketing cases per year, enables us to test market various products and services, and verify the results.

The expertise and experience in database marketing that we have accumulated for over ten years has become a pillar in OMC Card’s unique business strategy, for it not only has led to the ongoing evolution of our MSP model and stimulated card usage, it has curtailed card cancellations and built customer satisfaction and loyalty.



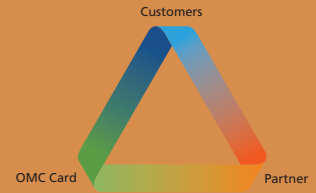
**Student**



**Employment**



**Marriage**



## CVC Business Continues Growth

OMC Card has been engaged in what we term our CVC Business—which caters to cardholding members—integrating management’s emphasis on the “Customer Value Chain” with our proprietary database marketing expertise and technology base. Our CVC Business mines our database marketing system, which collects, manages and analyzes cardholder data, to provide a framework of support for the individual cardholder over his or her lifetime, providing them with an array of products, information and services optimized to meet specific needs at specific periods of their lives.

The products, information and services we offer are not limited to those of OMC Card: We provide an extensive lineup of goods and services through our partnerships with companies in diverse fields, from travel and entertainment industries to the

automobile, housing and healthcare sectors, to meet every want and need. Our CVC options also include securities brokerage, insurance consultancy and other financial services to assist cardholders manage their assets.

Not only are our partner companies able to enhance their marketing-sales opportunities, achieved in part by the high response rate that we deliver at lower cost, but the CVC Business is highly profitable in that we receive advertising and contract commissions in addition to fees collected from affiliated merchandisers.

The CVC Business is slotted for further development as we introduce more convenient, value-added products and services in order to broaden our customer base and facilitate card usage.

Tickets

Car Life

Fashion & Beauty



**Family**



**Maturity**



**Silver**

Finance Service

Travel & Resort

Health-Related Services

Home-Related Services

# Long-Established Systems Infrastructure for Credit Card Business

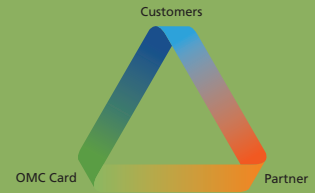
## Our Advantages:

### Sophisticated Risk Management Systems

In order to enhance our responsiveness to risks, OMC Card has not only improved upon management skills and protocols, but also installed the optimal systems and infrastructure for the main systems in the credit cycle (from credit assessment to credit monitoring to debt collection) to flexibly cope with every circumstance. Since 2001, our systems have been sequentially replaced or upgraded, thereby enabling us to establish a framework in which we can nimbly respond to changes in the business environment. These systems include Clover, a credit risk management system; CROSS, a debt management system; IBIS, an automated credit scoring system; Griffon, an artificial intelligence-based fraud detection system to reduce counterfeiting and fraudulent usage; and Sprint Workflow Master, a support system for back office processing.

With the revision to the Money-Lending Industry Law, the environment in which the industry operates has undergone a major transformation in the fiscal year ended February 2008, resulting in growing exposure to such risks as a credit squeeze and demands for interest refunds. OMC Card is minimizing these risks by making maximum use of the abovementioned systems and infrastructure.

With IBIS, we have implemented a stricter credit scoring process based on a new credit model, while restructuring our credit control models to meet more responsively the unique characteristics of different solicitation channels, which include outlet-based and web-based solicitation. In the area of credit monitoring, moreover, by reinforcing our monitoring of any changes in cardholder attributes and usage trends over time—thus enhancing collaboration between initial credit assessment and credit monitoring—we will be able to apply credit controls more flexibly. We have also flagged older loans that do not meet new credit control models, providing counseling services for borrowers and taking appropriate steps for accounts receivable protection through individual management of such cases.



## Outsourcing Business

Given our retail-industry roots, OMC Card has placed particular emphasis on customer satisfaction, and therefore believes it imperative to build business processing operations and systems with specific strengths to meet retail services needs. With this belief, we joined forces with MARUI Co., Ltd., a major department store, in April 2007 to establish Procent Inc., a joint venture specializing in the processing business.

Our Outsourcing Business offers on-demand credit checking, mailing, call center and other services, which we provide to a wide spectrum of companies. Our processing capabilities, including the ability to issue credit cards onsite, are highly regarded. Among the firms that have outsourced their initial credit vetting and onsite card issuance services to us: IY Card Service Co., Ltd., a member of retail giant Seven & I Holdings Group, and UCS Co., Ltd., as well as shopping malls and major discount consumer electronics retailers.

The credit card business demands a sustained investment in systems, to the extent that it is often described as a systems business. Until recently, Japanese companies generally purchased and maintained credit cycle systems (from initial credit scoring to debt recovery) in-house, a decision that proved to be significantly capital-intensive. When a number of firms share in the cost of development and operation of such systems, however, that leads

to a direct boost in profits. At the same time, because the maximum interest rate has now been capped under the amended Money-Lending Industry Law, those companies offering low value-added services and which lack cost competitiveness will be forced out of the market. Thus, demand for outsourcing has soared, and its growth is expected to continue for the foreseeable future.

Procent Inc. will serve as the primary vehicle for OMC Card to further expand its Outsourcing Business. While working closely together with SMFG group, we are committed not only to curtail and lower systems costs, but to provide high value-added processing services for our partner companies.



# Management's Discussion and Analysis

## Overview of Results

### Significant 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 operating revenues fell 2.4% year on year, to ¥151,602 million (US\$1,457,712 thousand), and the incurred consolidated net loss amounted to ¥22,539 million (US\$216,721 thousand). As a result, basic consolidated net loss per share of common stock was ¥106.53 (US\$1.02).

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 declined ¥3,782 million (US\$36,365 thousand) year on year, to ¥151,602 million (US\$1,457,712 thousand). The reduction in total revenues was mainly attributable to a decrease of ¥5,207 million (US\$50,067 thousand) in personal loan revenues, notwithstanding an increase of ¥1,962 million (US\$18,865 thousand) in fees from customers and affiliated stores.

The increase in credit card and personal credit contract revenues is attributable to OMC Card's active initiatives to expand its cardholder base as well as explore new partner companies, using its strengths in solicitations, database marketing and promotions, and through other measures such as aggressively promoting its Marketing Solutions Partner (MSP) model, which helps its partner companies increase their sales. As a result of our efforts, the number of cardholders reached approximately 9.62 million at the end of the fiscal year under review. We have also worked to enhance cardholder convenience through initiatives such as increasing the variety of the exchange line-up in our "Waku-waku Point

Presents" scheme, expanding the range of payments that can be settled by credit card to include, for instance, public utility payments such as water rates, and increasing the number of affiliated stores available to cardholders. All this caused credit card contract transaction volumes to rise 8.5% year on year, to ¥1,019,823 million (US\$9,805,990 thousand). This strong performance has been also attributable to other initiatives taken to expand revolving credit repayment balances, e.g., through running promotions to increase cardholder registration to the "Ato-gime Plan" in which cardholders can freely determine monthly payment amounts.

The decline in personal loan revenues, on the other hand, occurred because of a decrease in transaction volumes. The lower transaction volumes mainly resulted from a stricter credit policy employed to establish a more accurate credit management system according to risk levels and the reduction of the actual annual interest rate on card advances to 18.0%, which has been applied to new loans made since September 2, 2007.

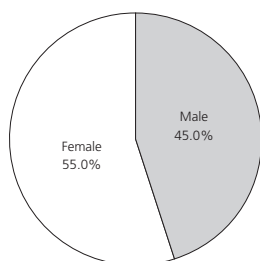
#### Operating Expenses

Consolidated total operating expenses in the fiscal year under review increased 17.2% year on year to ¥143,767 million (US\$1,382,375 thousand). The provisions for doubtful accounts declined, and selling, general and administrative (SG&A) expenses other than provisions for losses on interest refunds were lower due to our efforts in improving the overall cost structure. Nevertheless, the total expenses expanded. This rise was mainly because of an increase in provisions for losses on interest refunds, reflecting a surge in claims for interest refunds for loans with interest rates exceeding cap rates, and a ¥1,157 million (US\$11,125 thousand) rise in financial expenses. The increase in financial expenses resulted from higher costs required in line with the diversification of fund procurement methods.

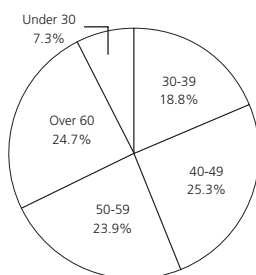
#### Other Income (Expenses)

The main items in other income (expenses) during the fiscal year under review were a gain of ¥822 million (US\$7,904 thousand) on sales of investment securities, and a ¥47,148 million (US\$453,346 thousand) addition to provisions for doubtful accounts. These accounts were booked as an estimated irrecoverable amount of personal loans, which are newly divided and managed individually under a new credit management policy being adopted in accordance with the new interest rates system effective September 2007.

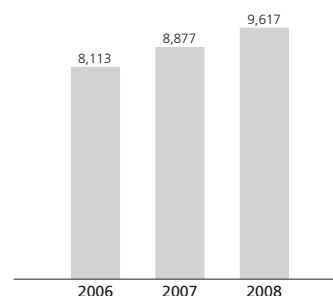
Cardholders by Gender



Cardholders by Age Group



Number of Cardholders (Thousands)



## Analysis of Financial Position

### Assets

Total assets increased 1.9% year on year, to ¥616,844 million (US\$5,391,192 thousand). The main factors behind the increase were rises of ¥15,848 million (US\$152,385 thousand) and ¥18,219 million (US\$175,183 thousand) in installment sales receivables and operating loans respectively, as a result of healthy growth in transaction volumes for loans and credit card contracts, accompanying an increase in the allowance for doubtful accounts of ¥49,480 million (US\$475,769 thousand). This increase in allowance for doubtful accounts, in turn, contributed to an increase of ¥30,402 million (US\$292,327 thousand) in deferred tax assets.

### Liabilities

Total current liabilities rose 24.5% year on year, to ¥345,996 million (US\$3,326,885 thousand), principally due to a gain of ¥23,683 million (US\$227,721 thousand) in deposits received resulting from securitizations of credit assets, in addition to an increase in short-term borrowings and long-term debt repayable within one year.

Total long-term liabilities decreased 12.4% year on year, to ¥220,274 million (US\$2,118,019 thousand). This decrease was primarily due to a decline of ¥49,092 million (US\$472,038 thousand) in long-term borrowings through the Company's reexamining its ratio of short-term borrowings and long-term debt, despite the booking of ¥10,919 million (US\$104,990 thousand) in provisions for losses on interest refunds.

### Equity

Net assets for the fiscal year under review decreased 33.3% year on year, to ¥50,574 million (US\$486,288 thousand). This decrease was mainly attributable to a decline in retained earnings, which resulted from a fall of ¥2,116 million (US\$20,345 thousand) in dividend payments and a net loss of ¥22,539 million (US\$216,721 thousand) incurred during the period.

Consequently, net assets per share dropped ¥119.50 (US\$1.15) year on year, to ¥238.07 (US\$2.29). The stockholders' equity ratio was lowered to 8.2%.

### Cash Flow

Cash flow from operating activities was a net inflow of ¥6,061 million (US\$58,279 thousand).

Although the Company incurred losses before income taxes and minority interests of ¥38,707 million (US\$372,183 thousand) and an increase of ¥34,030 million (US\$327,212 thousand) in operating receivables such as those on card shopping, the following factors contributed to the net inflow: an increase in the allowance for doubtful accounts of ¥49,480 million (US\$475,769 thousand) resulting from the application of an accounting measure to older

loans which do not conform to a new standard established through a drastic change in the credit management policy during the interim financial period; an increase in the allowance for losses on interest refunds of ¥10,919 million (US\$104,990 thousand) and an increase of ¥23,683 million (US\$227,721 thousand) in deposits received because of securitization of credit assets.

Cash flow from investment activities was a net outflow of ¥1,401 million (US\$13,471 thousand). The change was mainly due to expenditures of ¥2,712 million (US\$26,077 thousand) on acquisitions of intangible fixed assets related to a functional upgrading of credit systems, despite gains worth ¥1,575 million (US\$15,144 thousand) on the sales of investment securities.

Cash flow from financing activities was a net outflow of ¥2,369 million (US\$22,779 thousand). The main changes in this segment were an increase of ¥42,390 million (US\$407,596 thousand) in short-term borrowings set against a decrease of ¥42,706 million (US\$410,634 thousand) in long-term debt, including those repayable within one year, reflecting the Company's measures taken to review the ratio of long-term debt and short-term borrowings and the payment of dividends of ¥2,112 million (US\$20,308 thousand).

As a result of the above factors, cash and cash equivalents at the end of the fiscal year rose ¥2,281 million (US\$21,933 thousand) year on year, to ¥84,492 million (US\$812,423 thousand).

## Financial Polices

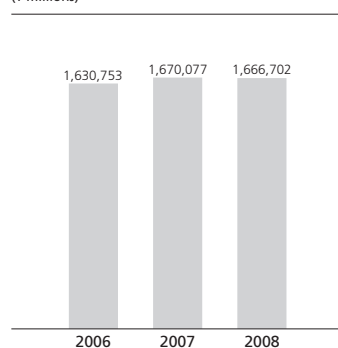
OMC Card regards the construction of a sound and robust financial structure as an issue of the utmost importance. We therefore take initiatives to strengthen our financial position, with the intention of improving our credit standing and increasing our corporate value.

In the term ended February 29, 2008, we continued to make efforts to obtain stable funding and diversify our fund procurement methods. Our initiatives included the securitization of credit assets and the launch of a syndicated loan, in preparation for future issuance of corporate bonds.

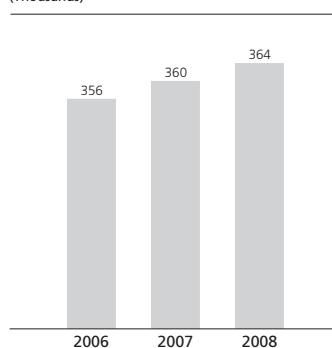
We also made flexible use of commercial paper, by issuing a cumulative ¥87.8 billion in the term ended February 29, 2008. As a result, the three indicators on which we focused were as follows: the direct funding ratio was 27.4% (up 4.7% year-on-year), the long-term funding ratio was 72.7% (down 10.8% year-on-year) and the fixed-rate funding ratio was 48.6% (down 0.6% year-on-year).

With regard to future fund procurement, to protect the Company against the risk of future interest rate rises, in addition to making efforts to procure stable funding at low interest rates, we are aiming to diversify our funding sources, for instance by securitizing credit assets and issuing corporate bonds, and are working to create a balanced financial structure.

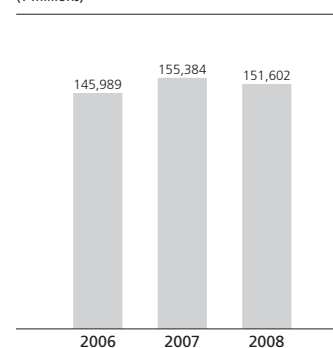
Transaction Volume  
(¥ millions)



Number of Affiliated Merchants  
(Thousands)



Total Operating Revenues  
(¥ millions)



We are also working to increase our shareholders' equity ratio by promoting a shift of credit assets off our balance sheet, thereby trimming our assets and streamlining our operations.

## Risk Disclosure

The factors discussed below have potentially important implications for decisions by investors pertaining to business results, our financial position and other matters discussed in this report.

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

### (1) Implications of Changing Economic Conditions

In credit 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. Such factors may, in turn, depress operating revenues and increase bad debt costs, thus adversely affecting the Group's revenue and profit performance and financial standing.

### (2) Competitive Environment

The credit card industry could face fiercer competition due to mergers and alliances accompanying realignment in the financial industry, as well as the entry of firms from outside the industry moving into the sector as a result of factors such as the diversification of the payments market, and the changes to the general public's lifestyle.

Such changes in the competitive environment may lead to a decrease in transaction volumes and erode profitability. The OMC Card Group's profits and financial standing could deteriorate if the Group is not able to maintain its advantageous competitive position.

### (3) Implications from Customer Solicitations and Provisions of Products at Partner Companies

The OMC Card Group has forged alliances with the Dai-ichi Group and many other companies and groups to expand its customer base and provide products and services to its clients. However, deterioration in profits at these partner companies or in relations between the OMC Card Group and its partner companies may adversely affect the profit performance and financial standing of the Group.

### (4) Fund-Raising and Interest Rates on Borrowing

The OMC Card Group seeks to ensure a stable, low-interest supply of funds by using a diverse range of fund-raising methods. However, changes in the financial environment and the erosion of profits at Group companies may reduce creditworthiness, leading to less

favorable borrowing terms, declining loan amounts extended and downgrades to our credit ratings. These factors can adversely affect Group profits and financial standing.

### (5) Legal Regulations and Related Matters

Two particularly noteworthy laws by which the OMC Card Group is regulated are the Instalment Sales Law and the Money-Lending Industry Law.

Of these, the revised Money-Lending Industry Law, enacted on December 19, 2007, has already enforced such measures as strengthening behaviour regulation, the introduction of business improvement orders and the establishment of the Japan Financial Services Association.

Furthermore, following full implementation of the law, it is planned to abolish the deemed settlement system, to reduce the maximum interest rate and to introduce overall quantitative restrictions. However, as the Japan Financial Services Association's Basic Principles of Self-Imposed Rules in Money-Lending Business Operations stipulate the prevention of over-lending, we seek to tighten credit limits at an earlier stage than the full implementation of the Money-Lending Industry Law.

To act promptly in bringing down the maximum interest rate and tightening credit limits, the OMC Card Group introduced a new credit management model under a new interest rate system effective from September 2007. For this reason, operating revenues could decline as a result of a reduction in new interest income following a fall in operating loan balances due to tightened credit management and a reduction in interest rate applied.

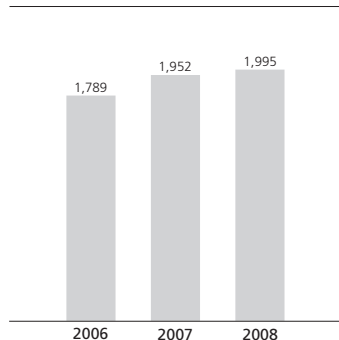
In response to the new credit management model under the new interest rate system and the phased implementation of the Money-Lending Industry Law, there may be operational costs incurred related to changing the terms (provisions) of customer contracts and notifying customers of the changes, costs related to altering business practices and increased systems investment. These could adversely affect Group profits and financial standing.

In relation to the Instalment Sales Law, a report was published in December 2007 which focussed on measures for systems improvement, including reform, and strategies to promote self-imposed undertakings within entities and the industry. However, if a reform is imposed towards the strengthening of regulations for the industry, this could have an adverse effect on Group profits and financial standing.

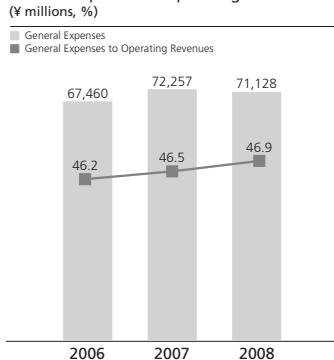
### (6) Internal Controls

The OMC Card Group considers abiding by the relevant laws and regulations to be one of its most important operating duties and has planned the development of its internal control systems. However, if there were unforeseen changes in laws and regulations or discrepancies in interpretation of laws whereby it was decided

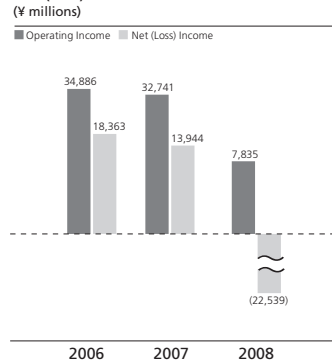
Number of Card Applications (Thousands)



General Expenses and General Expenses to Operating Revenues (¥ millions, %)



Operating Income and Net (Loss) Income (¥ millions)



the Company had contravened any legal requirements, there may be an effect on the Company's results and/or financial position.

#### (7) Information Systems

In the process of conducting credit and other business operations within the OMC Card Group, a large quantity of diverse types of information is processed through our computer systems and communications network.

The Company is building a strong system of defense controls, which include the establishment of a risk management manual that anticipates a computer system stoppage and the implementation of computer "vaccines" and firewalls to prevent an infection of the computer system by viruses. Nevertheless, with high-performance and complex information systems and communications network, there is a chance that problems may arise that cannot be anticipated. Furthermore, if a natural disaster such as an earthquake much larger than expected were to occur, we anticipate that we may have no choice but to switch our computer systems offline, which would be a serious hindrance to the Group's operations. There is a possibility that a resultant reduction in confidence in the Company may have an effect on its results and/or financial position.

#### (8) Protection of Personal Data

The OMC Group has in its possession the personal data of a large number of cardholders and other customers. In respect of protecting personal information, for many years we have internally appointed personal data management officers, and have put particular effort into giving training to our staff in order to improve awareness regarding personal data protection. As a Privacy Mark-certified business the OMC Group also continues to maintain and strengthen its personal data protection systems. Notwithstanding these measures, if a leakage of personal data occurred, this would bring about a lower image of the Group that could reduce cardholder numbers, which may have an effect on the Group's business results and/or financial position.

#### (9) Strategic Alliance with Sumitomo Mitsui Financial Group

On February 29, 2008, The OMC Group, Sumitomo Mitsui Financial Group, Inc. (hereafter referred to as SMFG), Sumitomo Mitsui Banking Corporation (hereafter SMBC), Sumitomo Mitsui Card Co., Ltd., and Central Finance Co., Ltd. (hereafter CF), made an agreement regarding building a strategic alliance in the credit card business.

On the same day, SMFG, SMBC, CF, QUOO Inc. (hereafter QUOO), and the OMC Group also made a basic agreement regarding a merger of CF, QUOO and the OMC Group.

Currently, we are pursuing opportunities in order to reach our goals of "Becoming Japan's Number One Premier Credit Card

Business Group" and "Becoming Japan's Largest Scale Consumer Finance Company."

From hereon, if changes in economic conditions or the competitive environment cause the expected results of our strategic alliance or merger to not be achieved as anticipated, there may be an effect on the Group's results and/or financial position.

#### Forecasts for the Fiscal Year Ending March 2009

Looking to the future, we anticipate a standstill in improvements in business earnings and employment conditions. Furthermore, high crude oil prices and the sub-prime housing loan problems have brought concerns about negative effects on the global and Japanese economies, so we believe a situation will continue that makes it difficult to predict the direction of business conditions. Due to the effects on the credit card industry of more rigorous competition under industry reorganization and revisions to the Money Lending Industry Law, we expect the OMC Group to continue to face a challenging business environment.

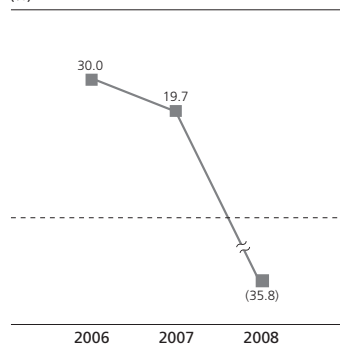
With such environmental conditions, we have decided to proceed strategically by expanding our card member and outsourcing businesses under our central pillar of "Card Business". By further improving the efficiency of our operations, we will strive for a durable operating base. Also, our medium-to-long-term operating strategy will be formulated using a base point of March 2008 and presented in our Second Medium Term Management Plan. Employing the themes of "Securing Growth through High-Precision Risk Control," "Business Volume Expansion" and "Efficiency Gains through Quality Improvement and Cost Cutting" to achieve superiority over our competitors, we aim to further improve our enterprise value.

On February 29, 2008, the OMC Group, CF, SMBC, and SMFG signed an agreement to build a strategic alliance in credit cards with the aim of realizing the goal of becoming Japan's No. 1 credit card business group. Also, on the same day, as a part of the strategy determined in the strategic alliance agreement, an agreement was made among the OMC Group, CF, QUOO, SMBC, and SMFG to merge the OMC Group, CF and QUOO, provided approval can be obtained under the various related laws. A basic agreement of intent regarding the merger was signed.

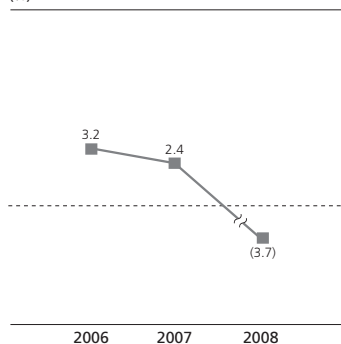
Furthermore, to ensure discussions regarding the merger continue smoothly, a "Merger Preparation Committee" was formed, and with a goal date of April 1, 2009, preparations are being made to promote and tie-in with the SMFG Group's credit card strategy.

As a result of the above conditions, our estimates for consolidated results for the fiscal year ending March 31, 2009, are for operating revenue of ¥143 billion (a 5.7% year-on-year decline), operating income of ¥8.8 billion (an 11.4% year-on-year increase) and net income of ¥6.1 billion.

Return on Equity (ROE)  
(%)



Return on Assets (ROA)  
(%)



Total Assets and Equity Ratio  
(¥ millions, %)

