

ANNUAL REPORT 2014

CREDIT SAISON CO., LTD.

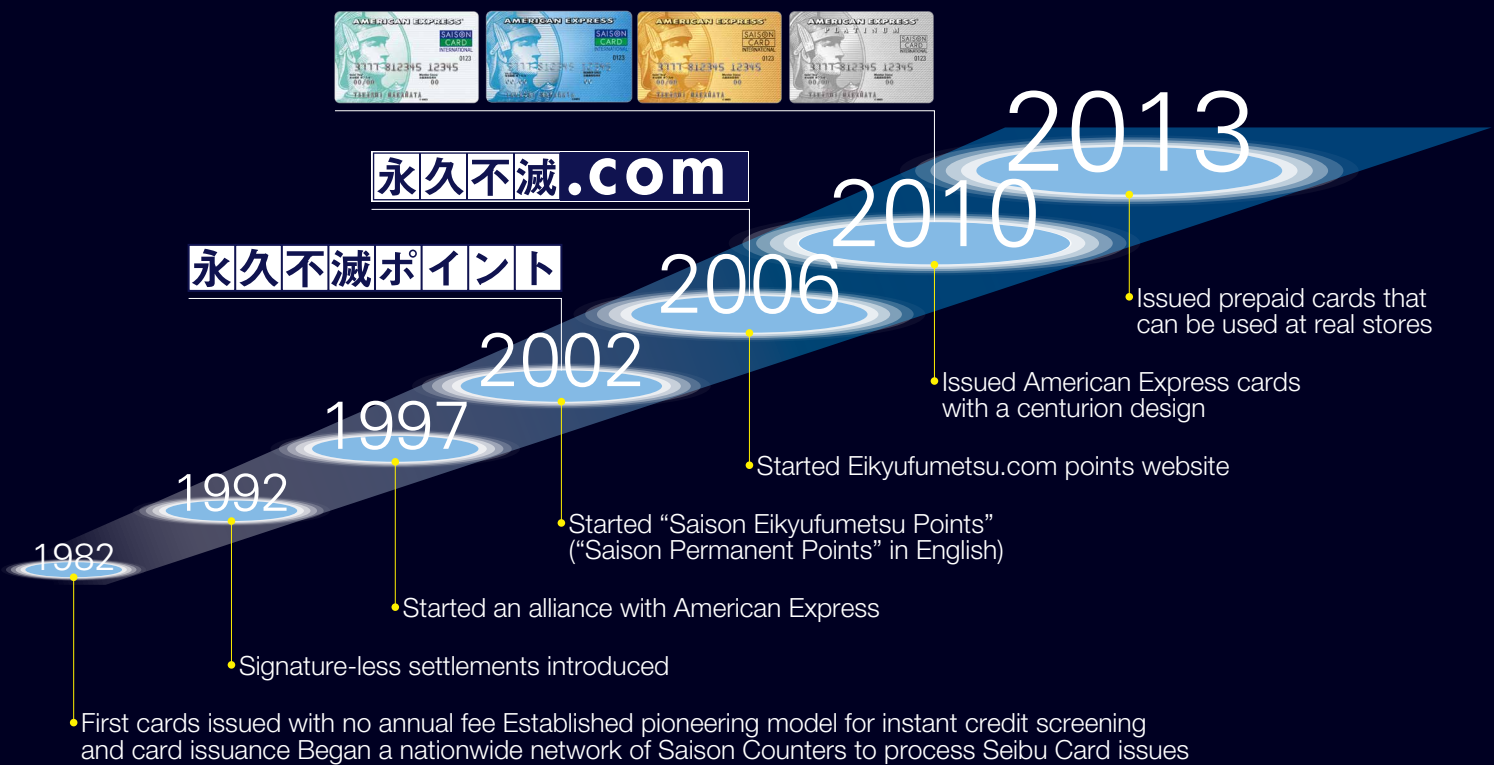


SAISON
CARD
INTERNATIONAL



We will fulfill our corporate social responsibility by striving to meet the expectations of all of our customers, shareholders, and business partners. We, as a leading edge service company, will compete successfully in the market by promoting our three shared values: **practical implementation of the principles of customer satisfaction; mutual respect for our interests and those of our business partners; and developing a corporate culture of creative innovation.**

Credit Saison innovation



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We are venturing into diverse business fields, targeting all kinds of corporations and individuals as customers. We are realizing business model innovation.

Hiroshi Rinno, President and CEO

Credit Saison has a collection of business assets accumulated over more than three decades in the credit card business, including expertise in retail finance, a customer base of 35 million cardmembers, innovative products and services, and a wide network of alliances.

As a result of our continuous pursuit of collaborative management, which leverages a combination of these assets, we succeeded in creating many unique strategic resources based on unconventional ideas in fiscal 2013. They include the Coiney smartphone settlement service, the Visa prepaid card that can be used both within and outside Japan, and a corporate settlement support service using the Concur expense management system for corporations. We are now ready to engage in multifaceted sales operations that target all kinds of corporations and individuals as customers by making use of these strategic resources.

Recognizing this as our chance to achieve growth, we are striving to achieve business model innovation that enables us to devote company-wide efforts to promoting sales to corporations, while taking advan-

tage of our traditional ability to expand our customer base of individual cardmembers through our superior expertise in acquiring new cardmembers. We will conduct sales activities that maximize the benefits for partner companies by providing a variety of cashless settlement functions.

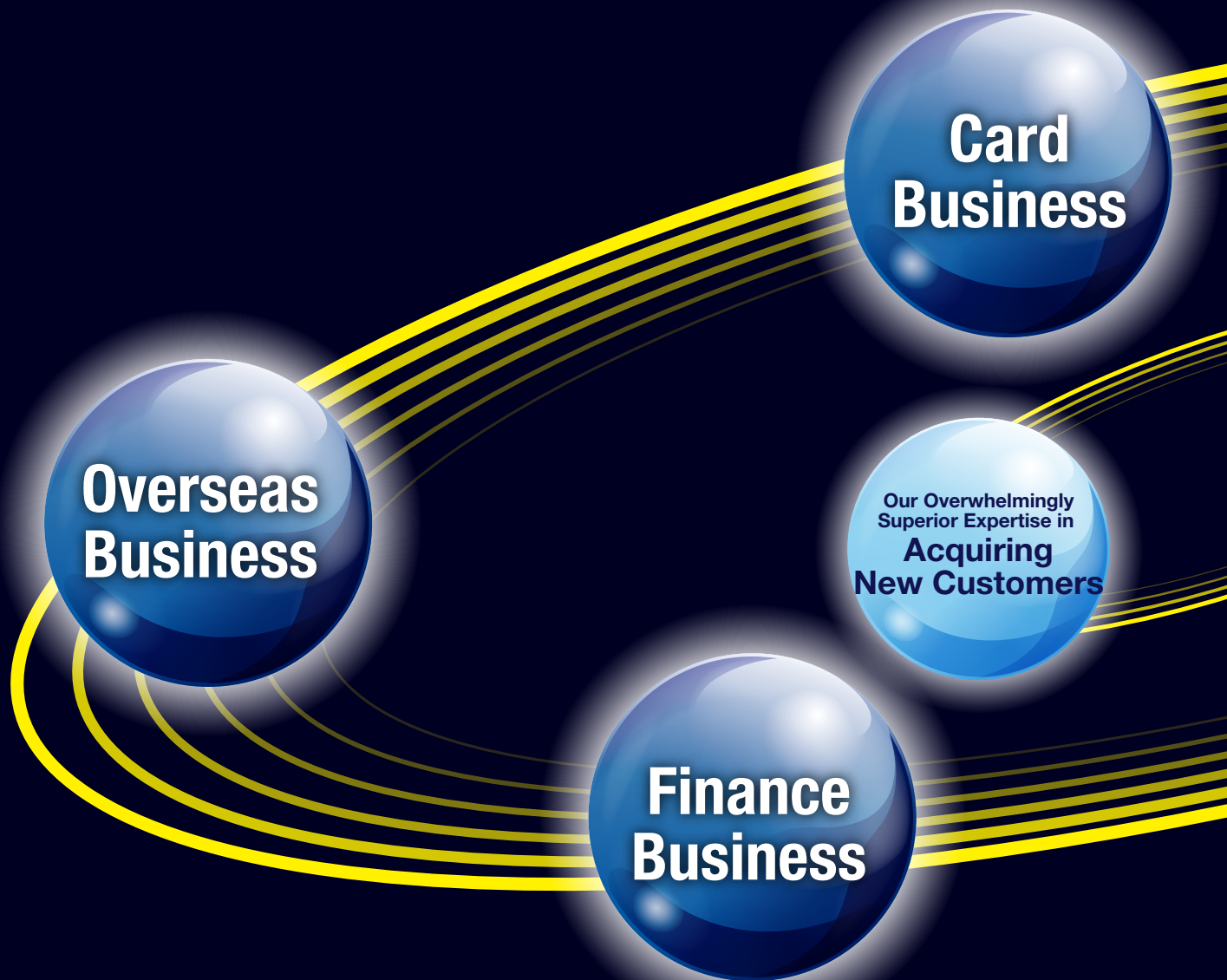
Going forward, Credit Saison will establish new sources of revenue as a nonbank finance company that can adapt to changes, through activities that will lay the foundations for sustainable growth, such as providing a wide variety of settlement services, including credit card settlement, strengthening non-bank businesses such as leasing and financing, expanding fee-based business through our Internet business, and embarking upon full-scale entry into the ASEAN countries.

As a leading-edge service company, Credit Saison will continue to strive to achieve innovation in a diverse range of business fields and increase its corporate value.

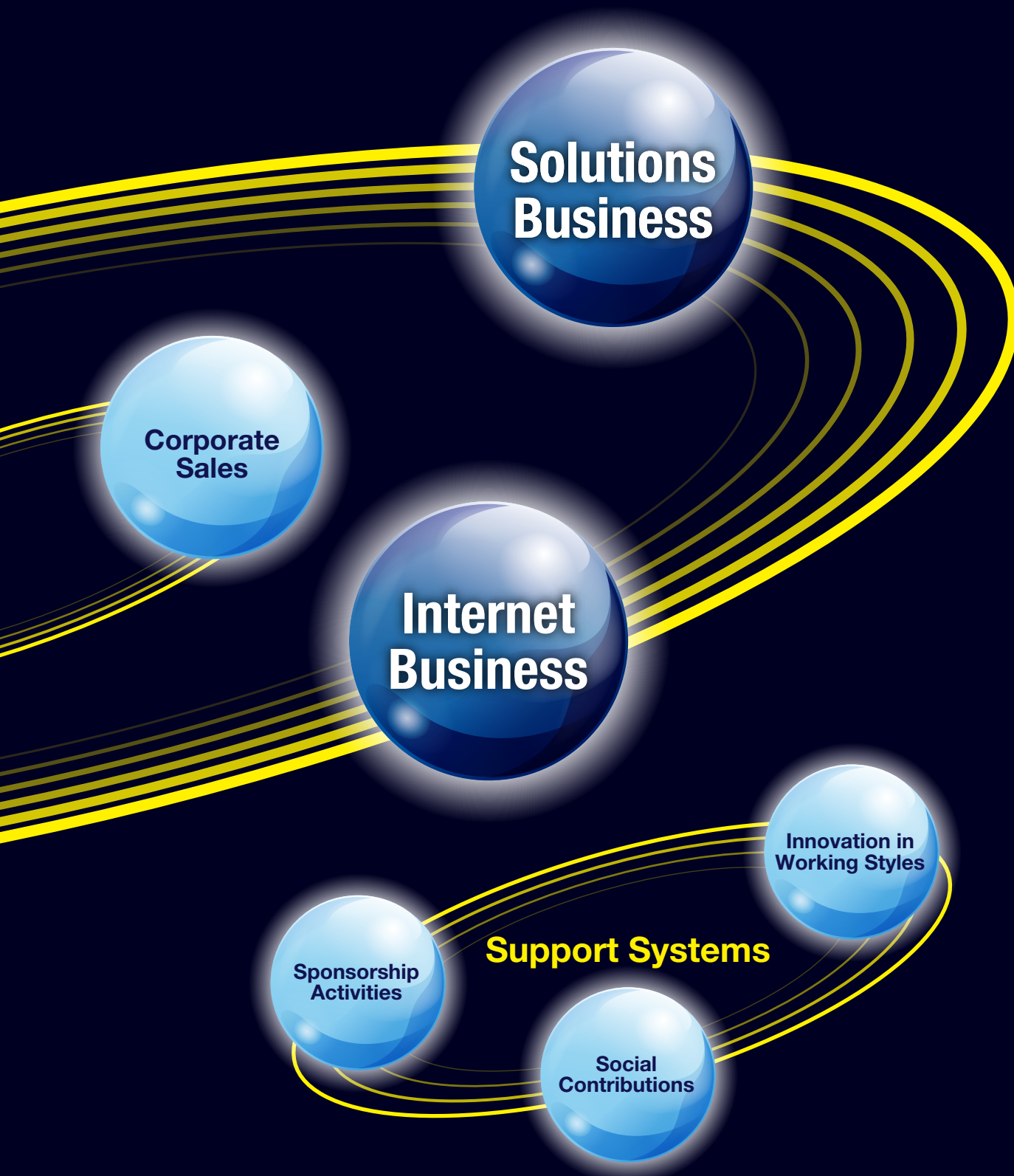
We appreciate your continued support.

Becoming a non-bank finance company that can constantly **adapt to change**

We are striving for business model innovation.



As a leading-edge service company, Credit Saison is always striving for business model innovation. Targeting all kinds of corporations and individuals as customers, we will achieve growth while playing a leading role in our ever-changing society by leveraging the combination of our diverse strategic resources.



Highlights of Individual Businesses



We aim to realize a cashless society via multifaceted initiatives to encourage the use of credit cards and prepaid cards, as well as expanding smartphone settlement. Taking advantage of our expertise in acquiring new cardmembers, we are expanding the issuance of cards and promoting their use, with a particular focus on the Saison American Express® Card, by providing services that suit our partner companies' needs.

- Customer base of **35 million cardmembers** and a diverse, extensive network of alliance partners
- Marketing ability of **Saison Counters at more than 130 locations** in Japan
- **Coiney smartphone settlement service**, making card settlement more accessible
- **Eikyufumetsu Points** that never expire

P.6



Taking advantage of our vast customer base of more than 10 million Internet members, the largest membership in the industry, we will establish a fee-based business model via ongoing efforts to make the Eikyufumetsu.com online shopping mall more user-friendly.

We are also involved in advertising and research initiatives and targeted marketing activities that utilize highly accurate big data through business and capital alliances with many successful companies, as well as venture businesses.

- Customer base of **more than 10 million Internet members**, the largest membership in the industry
- **Eikyufumetsu.com online shopping mall** with annual sales of more than ¥50 billion
- **Saison CLO** coupons linked to card settlement
- **eMark+Lite** site viewing pattern analysis tool

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We are achieving continued growth by providing an abundant variety of finance functions tailored to our customers' needs, including leasing and rental, business loans (guarantees), real estate finance, and asset management. We are constantly creating new business models by leveraging the combination of our other strategic resources.

- Provision of **finance leases, installment purchases for commercial purposes, and rental services**
- **Guarantees for personal multi-purpose loans on deeds** provided through partnerships with financial institutions
- 100% financing for home purchases via our **mortgage loan package**
- **Saison Asset Formation Loans** to support the purchase of condominiums for sale or rent for investment purposes

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We are expanding the lineup of services for corporations in response to their increasingly diverse business management needs. We are promoting a shift toward cashless settlement in various types of corporate business transaction by strengthening our alliance with the Concur expense management system, enhancing our lineup of services, and establishing channels for acquiring new members.

- Range of cards to suit the needs of corporations and individual business owners
- Concur expense management system
- Company-wide corporate sales operation

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By taking advantage of the know-how cultivated in our credit card operations in Japan, we are conducting retail finance business from a medium- to long-term perspective overseas, mainly in ASEAN countries. We are engaging in M&As, capital alliances, and joint ventures with Japanese and local companies in order to expand our business in accordance with the circumstances of each country.

- Abundant expertise in retail finance
- Joint incubation projects and business alliances in the fields of settlement services and Internet business in Japan and ASEAN countries

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A Personnel Management System That Can Leverage Diverse Talents and the Education of a New Generation of Personnel



©J.LEAGUE PHOTOS
Starting players in the Men's National Team playing Cyprus in the KIRIN CHALLENGE CUP 2014 (May 29, 2014)



Based on the management vision of becoming “No. 1 in Personnel Activation and Active Participation of Women,” we are endeavoring to foster an energetic corporate culture through such initiatives as human resource development, the empowerment of women, and the employment of retired workers.

We are also helping to nurture the next generation by providing ongoing opportunities for children to learn about credit cards and economic mechanisms, and to demonstrate their creativity.

- Program to foster innovative leaders through a range of career training initiatives
- A variety of programs that support women's active participation in work, including a system offering up to three years of childcare leave, and a program allowing mid-stream changes of career direction
- Running Akagi Nature Park
- Supporting Japan's national soccer teams

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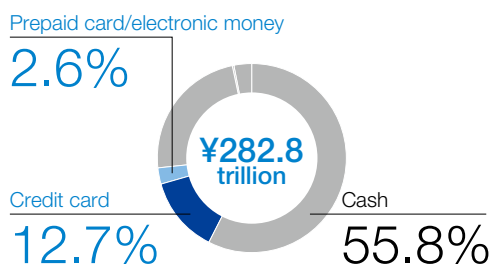
We aim to realize a cashless society by leveraging our unique strategic resources.

With a primary focus on our credit card business, we will establish a source of revenue in the cashless settlement market by meeting the increasingly diverse needs of individuals and corporations through the utilization of our strategic resources in our card and solutions businesses, while maintaining our business model of expanding our customer base of individual cardmembers, taking advantage of our superior expertise in acquiring new cardmembers.

Key Indicators (Non-consolidated)

	Fiscal 2013	% change	Fiscal 2014 target
New applications (millions)	3.32	98.2	3.40
New cards issued (millions)	2.53	100.7	2.50
Total cardmembers (millions)	24.75	99.7	25.15
Active cardmembers (millions)	14.20	104.3	14.95
Transaction volume (¥1 billion)	4,117.0	108.1	4,376.0
Card shopping	3,852.9	108.6	4,101.0
Cash advances	264.0	101.5	275.0

Share of Personal Consumption by Type of Settlement (Fiscal 2012)



* Estimated by Credit Saison based on materials published by the Ministry of Economy, Trade and Industry, New Payment Report, Mitsubishi UFJ Research and Consulting, and other companies and associations.

Expanding the Customer Base by Acquiring New Cardmembers

Enhancing Premium Cards and Strengthening Our Customer Referral Partnerships

We are expanding our customer base as our group companies exercise their respective strengths in such areas as the acquisition of new members, processing services, and credit and collection operations. To increase our market share, we are also enhancing our services by forming alliances with successful companies, irrespective of capital affiliation and company scale.

In particular, one of our priority strategies is to enhance our premium cards, which offer the prospect of high utilization and high spending per transaction. We are strengthening cardmember enrollment activities for the four types of Saison American Express® Card, which may be selected to suit customers' lifestyles. We will strive to increase the number of cardmembers and the value of sales by forming alliances with companies that provide high-quality services suitable for premium cardmembers and offering exclusive services for cardmembers, to promote reciprocal customer referrals between Credit Saison and our partners. We also endeavor to expand transaction volume by encouraging cardmembers to switch to higher-value cards.

The number of new cardmembers is steadily increasing as a result of cooperative efforts with partner merchants in acquiring new cardmembers and providing services, including the upgrading of our Mitsui Shopping Park Card Saison, which is issued in partnership with Mitsui Fudosan Co., Ltd. and Mitsui Fudosan Retail Management Co., Ltd.



SAISON AMERICAN EXPRESS® CARD

Expanding the Scope of Card Settlement

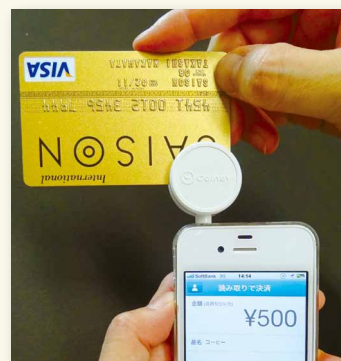
Use of a Smartphone Settlement Service

In order to increase credit card settlement in markets dominated by cash settlements involving small and medium-size companies and individual business owners, in April 2013 we started to invite applications to become part of the network of stores using the Coiney smartphone settlement service. In August that year, we bolstered our efforts to expand sales in partnership with Coiney, Inc. through the acquisition of an equity stake in the company.

The Coiney settlement service can be used in locations where an Internet connection is available, simply by inserting a special card reader into a smartphone or other mobile devices. In addition, affiliated stores can save on the cost of installing and running settlement terminals. As a result, use of the Coiney service is growing and the scope of card usage by end users is expanding.

We are using the unique functions of smartphones to accelerate the diversification of card usage and thereby expand cashless markets further.

Credit Saison endeavors to provide safe and secure settlement services by fully complying with an international security standard called the PCI DSS (Payment Card Industry Data Security Standard ver2.0).



Coiney smartphone settlement service (sample image)

Aiming to Acquire More Share in Cashless Market

Identifying New Needs and Enhancing Prepaid Cards

Launched jointly by Credit Saison and leading drug store chain cocokara fine Inc. in 2013, COCOKARA CLUB CARD has become popular as Japan's first Visa prepaid card that can be used at Visa-affiliated merchants in Japan and overseas. The number of cards issued has increased steadily to 3.07 million (as of the end of fiscal 2013), contributing to a shift toward cashless transactions at drug stores, where cash has hitherto been the main means of settlement.

In May 2014, Credit Saison was entrusted with the issuance of WebMoneyCard and au WALLET card, which are the first MasterCard-branded prepaid cards that can be used at both online and brick-and-mortar shops. Through such arrangements, we are using our partners' customer bases to enhance our prepaid cards.

In the case of NEO MONEY, a prepaid card exclusively for use by Japanese travelers visiting other countries, we are making active efforts to acquire new members at bank branches by increasing the number of financial institutions that we partner with, in order to meet the need for new means of settlement outside Japan since we ceased to handle traveler's checks.

While responding to market needs, we continue trying to expand our share in the cashless market through the expansion of our lineup of cards and channels of cardmember acquisition by issuing prepaid cards, both independently and with our partners.



Prepaid card featuring the emblem of the Japanese national soccer teams

Promoting a Shift toward Cashless Settlements in Corporate Business Transactions

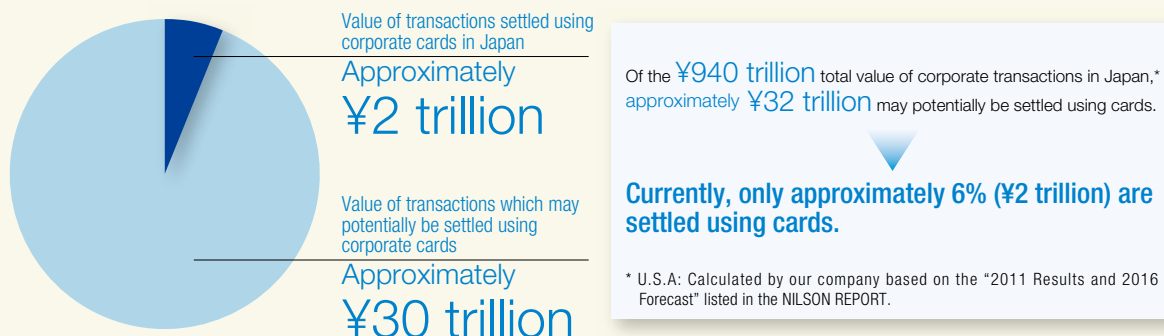
Starting in fiscal 2014, we are endeavoring to strengthen our corporate sales capability. Under this initiative, we are targeting all kinds of corporations as customers and presenting multifaceted proposals that make effective use of our strategic resources. The value of the Japanese market for the settlement of corporate business transactions is estimated at approximately ¥940 trillion, of which around ¥32 trillion may potentially be settled by credit card. However, the value of transactions actually settled using cards issued by Japan's six major corporate card issuers* is only around ¥2 trillion.

In order to increase our share in the market for the settlement of corporate business transactions, we are promoting a shift toward cashless settlement in various corporate business transactions, by supporting a drastic reduction in the workload of expense management for companies and individual business owners through settlement with our corporate and other cards, in partnership with companies that provide solution tools for corporations.

We will promote a shift in corporate business transactions to cashless settlement by offering services that meet the increasingly diverse needs of companies, establishing channels for acquiring new cardmembers, and developing a company-wide sales activities for corporate sales.

* Japan's six major corporate card issuers are Credit Saison, American Express, Citibank, JCB, Mitsubishi UFJ NICOS, and Sumitomo Mitsui Card.

The high potential for cashless settlement in the market for settlements of corporate business transactions



Lineup of cards tailored to different company scale and purposes

For large companies



Corporate cards

For small and medium-scale companies



Corporate cards for small and medium-size companies

For individual business owners



Saison Business American Express® Card

Lineup of services provided through partnerships in order to meet the increasingly diverse needs of companies



Concur Japan, Ltd.
Expense management system for large companies



Miroku Jyoho Service Co., Ltd.
Finance, management information and system solutions service for medium-size companies



Free
Accounting software programs mainly for individual business owners

Expanding Transaction Volume

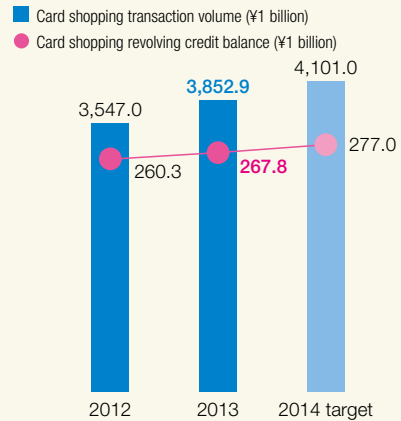
Strengthening Cooperation with Partners and Promoting Card Use via Campaigns

We implement joint projects with a diverse array of companies in the travel and services industry, as well as partner merchants, encouraging reciprocal customer referral by offering special benefits and discounts.

Responding to the growth in expenditure on communications resulting from the increasing prevalence of smartphones, when customers apply for a card, we actively encourage them to use card settlement to make recurring payments for mobile phone, utility bills and the like, so as to ensure stable card use regardless of the economic cycle.

Moreover, we are striving to expand transaction volume by forming service alliances with a diverse array of successful companies, irrespective of their capital affiliation, and organize various campaigns at suitable opportunities in order to stimulate consumption through card shopping. These include the *MachiCard Festa* regional revitalization campaign, which we conduct with major local stores across Japan, as well as other card companies, and the *Okozukai* campaign offering monthly cash gift of ¥10,000 for ten consecutive months, which was organized to capitalize on an upsurge in demand before the consumption tax hike of March 2014.

Card Shopping Transaction Volume and Card Shopping Revolving Credit Balance



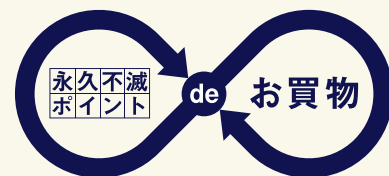
Further Differentiating Ourselves from Competitors

Improving Customer Satisfaction through Eikyufumetsu Points

We strive constantly to increase the appeal of our Eikyufumetsu Points, which clearly differ from ordinary credit card points in that they never expire. Among other popular features of Eikyufumetsu Points are services with special benefits provided through tie-ups with a variety of partners, including the *Point-de-Okaimono* service, which lets customers use their points to pay for card shopping, as well as exclusively-designed goods offered under the point redemption program.

In addition, we are helping to shore up regional consumption by promoting local specialty products and enhancing their brand value through special limited-time sales campaigns and other initiatives in partnership with municipalities.

We aim to establish an economic zone for card points with a main focus of Eikyufumetsu Points by continuing to introduce attractive rewards and promoting tie-ups between Eikyufumetsu Points and the points programs of other companies so as to increase the convenience of our points program for customers.



The most popular reward
Point-de-Okaimono service
200 points → ¥900

We will evolve our Internet business further using the largest customer base of Internet members in the industry and highly accurate big data.

In April 2014, the number of Internet members of Credit Saison exceeded 10 million.

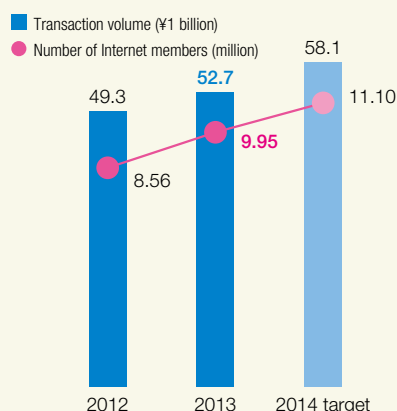
By using this customer base, we will capture larger share in the Internet market and create a new advertising and marketing business.

Increasing Internet Members and Improving Convenience

Strengthening the Functions of the Eikyufumetsu.com Online Shopping Mall

The Eikyufumetsu.com online shopping mall began operating seven and a half years ago. To differentiate ourselves from our competitors, we have increased from 20 to 30 the multiplying factor applied to the never-expiring points accruing with each purchase from this online shopping mall since August 2013. We have also upgraded the product search function, reinforced sales support for companies with stores on this site, and introduced services that award points in exchange for answering questionnaires and viewing advertising commercials. As a result, the annual transaction volume has grown steadily to ¥52.7 billion (up 12% year on year).

Changes in Transaction Volume and Number of Internet Members



永久不滅.com

Effective Use of Big Data

Flexibly and Quickly Introducing New Technologies through Partnerships with Successful Companies and Venture Businesses

We are striving to bring innovation to business models for credit, finance, settlement, and remittance through global business and capital alliances with successful companies and venture businesses that have developed new technologies, using the highly accurate customer information (big data) about such matters as customer attributes and purchase records that we have accumulated as a credit card company to develop business initiatives in the field of advertising and research, as well as targeted marketing.

Examples of business and capital alliances with venture businesses



Coiney
Development and provision of smartphone settlement terminals



Kanmu
Information on special offers tailored to customers, displayed on their online credit card transaction details screen



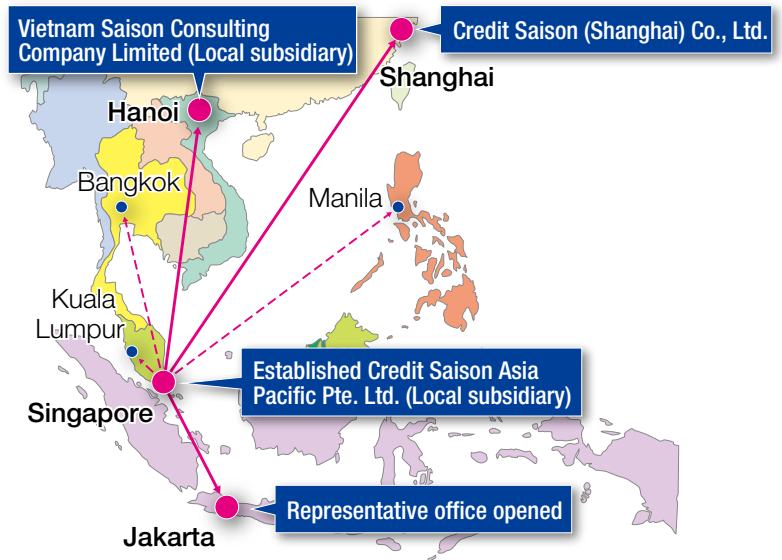
Consulting&Creation Group

VALUES
Sale of eMark+Lite, a service that analyzes Internet activity logs

We are aiming to launch our retail finance business in the ASEAN region at an early date.

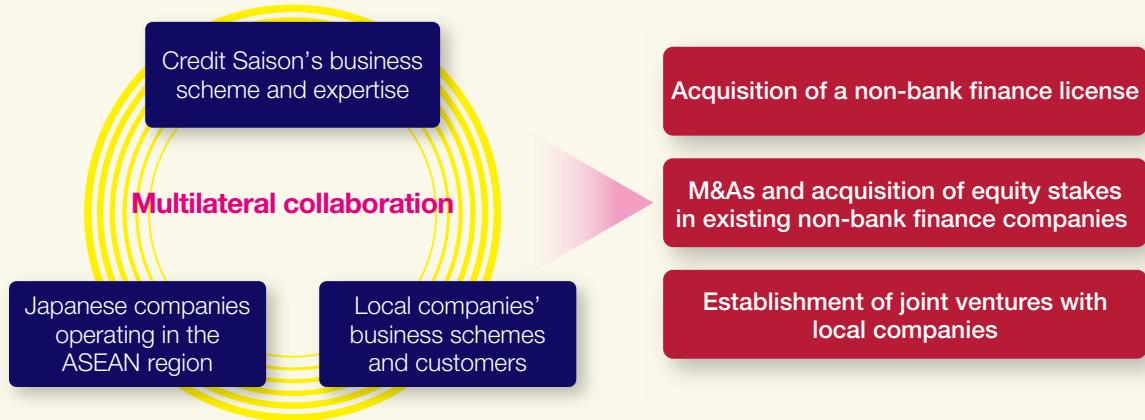
Focusing primarily on the ASEAN region, we are developing our Asia strategy through multilateral collaboration with local and Japanese companies.

Taking advantage of the credit card business know-how that we have built up in Japan, we are implementing business plans with a medium- to long-term perspective, which we have tailored to the history, culture and the custom in each country.







Developing a Finance Business Suited to Local Needs

Concept for entry into non-bank finance businesses



Initiatives focused on entry into the market in each country

	Singapore	Recognizing Singapore as the hub of Asia, we are supporting project development at existing and new bases in the country and promoting collaboration with local companies.
	Vietnam (Hanoi)	We are providing consulting services for local financial institutions.
	Indonesia (Jakarta)	We are collecting information and conducting market research in preparation for launching our retail finance business.
	China (Shanghai)	We are acquiring new members on behalf of Shanghai Takashimaya's point card scheme.

We are building up high-quality receivables by providing a wealth of finance functions tailored to various market needs.

We are aiming to establish a multi-core framework for our revenue streams by providing financial functions tailored to market needs and strengthening relationships with our business partners in lease & rental, credit guarantee and finance businesses.

Pursuing synergy effects to our card business, we plan to realize further expansion of businesses, which will contribute to enhance our entire corporate value.

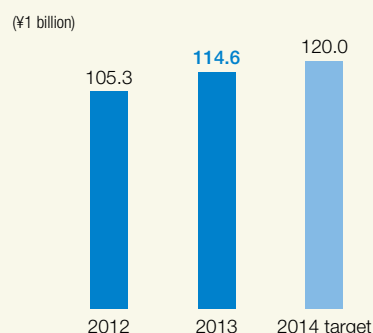
Lease & Rental Business

We provide such services as finance leasing, installment purchases for commercial purposes, and rental (operating lease) making full use of our strengths in terms of screening know-how and speed of credit provision.

We strengthen our relationships of trust with existing dealers by providing support carefully tailored to their characteristics and implementing joint promotions. We are also broadening both our lease sales channels and the lineup of lease items by expanding our partnerships with new dealers.

In the rental business, we are expanding our sales channels for LED lighting and other eco-friendly items specified to meet energy-saving needs. The volume of lease and rental transactions grew to a record high of ¥114.6 billion (up 8.9% year on year).

Transaction Volume

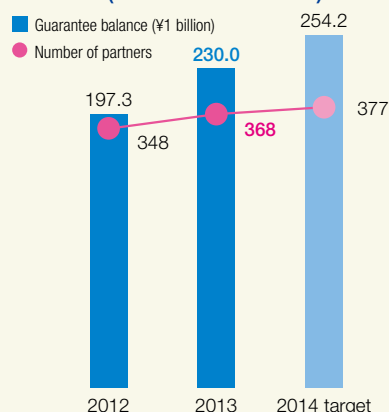


Credit Guarantee Business

Specializing in guarantees for personal multi-purpose loans on deeds, we are supporting the provision of personal loans in close cooperation with partner financial institutions, in terms of both sales and administration. In addition to the simple application procedures and quick screening, these loans are popular because of their versatility, as they can be used for business finance and a range of other purposes. The number of partner companies has increased to 368, while the guarantee balance grew to ¥230 billion (up 16.6% from the end of the previous fiscal year on a consolidated basis).

In fiscal 2014, we aim to expand the transaction volume again by strengthening risk control, improving operational accuracy, and taking advantage of our strengths in terms of guarantee capacity, versatility, and marketing capability.

Guarantee Balance and Number of Partners (Consolidated Basis)



Other Finance-related Business

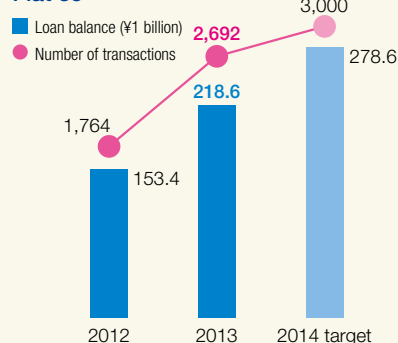
We are maintaining steady efforts to lay the foundations for operations as a non-bank finance company through a combination of the reliability and reassurance of the Saison brand and the expertise in screening, quick response, and marketing ability that we have developed through our credit card business.



The Flat 35 Long-term Fixed-rate Mortgage Loan Program

Against the backdrop of an increase in the use of mortgage loans before the consumption tax hike, the transaction volume and the loan balance increased steeply to ¥75.9 billion (up 57.6% year on year) and ¥218.6 billion (up 42.5% from the end of the previous fiscal year), respectively, as a result of our continuing provision of 100% financing for home purchases through the Flat 35 PLUS home loan package, close cooperation with major condominium developers, expansion of sales channels, and provision of perks for cardmembers. Consequently, our market share in the Flat 35 market increased.

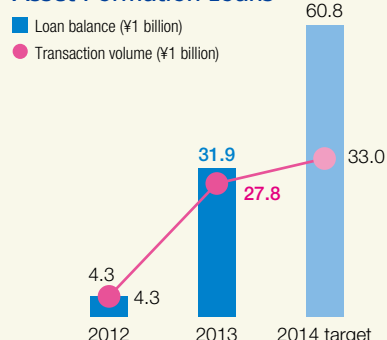
Flat 35



Saison Asset Formation Loans

In January 2013, we started offering Saison Asset Formation Loans to support the purchase of condominiums for investment purposes. The transaction volume and loan balance for this product has steadily increased to ¥27.8 billion (up 537.0% year on year) and ¥31.9 billion (up 630.6% from the end of the previous fiscal year), respectively, due to the addition of a loan program to finance the purchase of rental condominiums for investment purposes.

Asset Formation Loans



Real Estate Mortgage Loans and Investments

Focusing mainly on real estate companies, we offer a series of services related to real estate mortgage loans (commercial loans) to finance the procurement of properties, including acceptance of loan applications, property assessment, screening, provision, and debt collection, in close coordination with the Flat 35 loan program. We also provide non-recourse mezzanine financing to special purpose companies that are backed by office buildings and commercial facilities.

Achieving innovation in ways of working to become “No. 1 in Personnel Activation and Active Participation of Women”

Based on our belief that the personal growth of our staff constitutes the growth of our company, we are bolstering our initiatives focused on human resource development that makes effective use of individual strengths and supporting the active participation of women in the workplace, carefully nurturing staff who underpin our corporate culture, in order to achieve innovative management.

Development of Innovative Leaders

Developing Innovative Leaders with Business Quotient (B.Q.) by Encouraging their Learning and Self-awareness.

Stratified training

We tailor our training programs to each stage in the careers of our staff, providing training in the basics of business up to their fifth year with the company, in order to lay the foundations for their subsequent careers. In addition, those in managerial posts receive training in management skills and those in senior managerial posts undergo training that cultivates their intuitive understanding of management, as well as developing their personalities.

Training for selected staff

We select candidates for divisional manager positions and provide them with a forum where they can learn about marketing, strategic planning, and leadership. Moreover, we promote interaction with people outside the company, in order to broaden their horizons and expand their network of interpersonal connections.

360° evaluation

(Business Quotient (B.Q.) assessment program)

Once a year, senior staff, colleagues, and junior staff evaluate each other's Business Quotient (B.Q.), with the results being fed back to staff to form the basis of their personal development.

Learning Café (held 4 times a year)

Through this event, we offer a forum for learning at which employees share the knowledge and know-how that they have gained through their work, so that participants can make use of this in their own work and career development, as well as gaining a broader perspective on their jobs.



Initiatives to Revitalize the Organization

Revitalizing the Organization by Making the Most of Individual Strengths

Suggestion system

- Dream Plan System (4 times a year)
Under this system, we give staff the opportunity to submit creative original ideas, promoting operational improvements and the development of innovative products and services, thereby leading to the creation of new corporate value.
- C-BOARD System (annual)
Under this mechanism, management team discuss proposals submitted by young staff members together concerning ways of revitalizing the organization and nurturing the corporate culture, so that these can be reflected in the management of the company.
- Spirit of Saison Project
Under this project, senior managers visit our business hubs across the country and talk with all staff, in order to spread our management vision throughout the company and cultivate a sense of unity.

Request program

Twice a year, we give staff the opportunity to submit an application for transfer to a new position. In addition, we conduct in-house recruitment for new departments and projects, thereby helping to motivate staff.

Credit Saison Awards ceremony (annual)

The whole company participates in this ceremony, through which we seek to change individual mind-set and enhance the collective strength of the organization by praising individual and organizational achievements, cutting across departmental boundaries, as well as recognizing both corporate value and our connections to each other.



Making Use of the Unique Ideas and Perspectives of Women to Promote Their Active Participation in the Workplace

At Credit Saison, we believe that when a female staff member who has built up business skills resigns because she is due to give birth or has childcare commitments, it is a great loss to both the woman herself and to the company. As such, we implement support programs aimed at ensuring that women can return to the workplace and continue working even after giving birth. Going forward, we will continue to promote new programs aimed at progressing from being a “good place to work” to being a “great place worth working for.”

Systems to help staff achieve compatibility between work and family

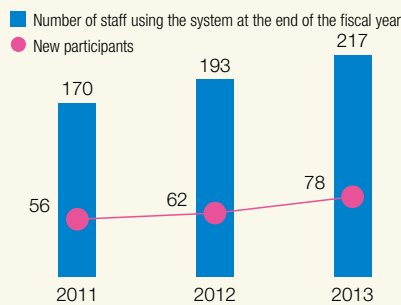
- Seminar for working mothers on support for achieving compatibility between work and child rearing
This seminar provides staff with know-how about achieving compatibility between work and bringing up children, as well as giving them the opportunity to draw up a medium- to long-term career plan.
- System of extended child care leave
Staff can extend their child care leave until March 31 of the fiscal year in which their child reaches the age of 3 (basic child care leave runs until the date on which the child reaches the age of 1).
- System of short-time work for child care purposes
Staff can use this system until April 15 in the year when their child enters the 4th grade at elementary school. While using this system, staff are not subject to personnel transfers that entail relocation.
- Flexible working options for those bringing up children
As well as being able to choose shorter working hours, staff can choose to go back to short-time work after having returned to normal working hours.
- System for changing career track
Staff can change their classification to suit their circumstances (for example, when they marry, give birth, are bringing up children, or are providing long-term nursing care).
- Change of workplace track
Should their circumstances require it (for example, when they marry, are bringing up children, or are providing long-term nursing care), staff can change their classification to one that does not involve intra-company transfers.

Share of Female Managers in the Company

Position	Share (%)	
	Male	Female
Division manager equivalent	87.8	12.2
Section manager equivalent	80.2	19.8
Section chief equivalent	29.6	70.4
Total	52.8	47.2

As of April 2014

Number of Staff on Short-time Work for Child Care Purposes



Seminar

Respect for Diversity

Developing Workplaces that Respect Individuality and Thoughts, and Create New Values

- Hiring staff with disabilities and a seminar on retaining them
Throughout the year, we promote the hiring of staff with disabilities and hold regular seminars on the development of an improved workplace environment for them.
- Post-retirement re-employment system
This is a system that promotes the re-employment of people who have reached the mandatory retirement age, allowing them to make continued use of their abundant skills and experience.
- Post-career-break re-employment system
This is a system that enables staff who have previously resigned (for example, due to going to study abroad, changing job, or needing to provide long-term nursing care) to be re-employed under the same conditions as before their resignation, provided that they satisfy certain conditions.

Actively Contributing to Society While Supporting Children's Growth

Through our company's co-sponsorship of educational programs and other activities focused on education and environmental conservation, we are actively involved in activities that contribute to the advancement of society and culture, as well as offering a place where the children who will lead the next generation can develop a rich individuality and a well-rounded personality by learning for themselves and growing via a range of experiences and activities.

Providing opportunities for children to learn about finance and economics

Examples of activities



Teaching and learning materials for elementary school students
Publication of *The Secret of Credit Cards* (2012)



Work experience program organized at Qubitous Co., Ltd.



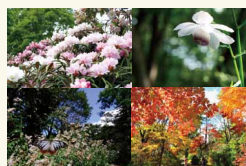
Family Day workplace tour for children



Participation in activities for junior high and high school students to learn about business and enjoy work experience, such as the Quest education program and Nikkei Education Challenge

Operation of Akagi Nature Park

Since 2010, our company has been engaged in the running of Akagi Nature Park, as part of our activities aimed at ensuring that we can bequeath Japan's rich natural environment to the next generation. Over the last four years, a total of 120,000 people have visited the park. During the last fiscal year, it was accredited as a Forest Therapy Base, following scientific recognition of the park's effectiveness in providing forest therapy (such as improving immune function and reducing stress). Through programs such as guided tours of the park and eco-craft activities using materials including nut shells and conifer cones, we are helping visitors to understand the true magnificence of nature, as well as providing them with a deeper understanding of environmental conservation activities.



Fiscal 2014 Co-sponsors



Support for sporting activities

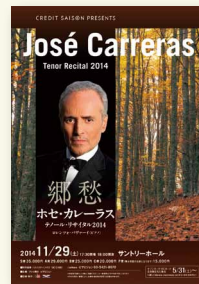
Since November 2001, Credit Saison has been a supporting company for Japanese national soccer teams. As well as supporting the activities of teams including the SAMURAI BLUE Men's National Team and the NADESHIKO JAPAN Women's National Team, we offer youth programs that allow children to fulfill their dreams, including the High Five Kids and Welcome Kids programs, which give children the chance to meet the team ahead of international matches.



Children selected as national flag bearers

Support for cultural activities

Credit Saison supports the musical career of José Carreras, the opera singer famous worldwide as one of The Three Tenors. In addition, we endorse and donate to the José Carreras Leukaemia Foundation.



Charitable donations

We offer cardmembers the opportunity to use Eikyufumetsu Points and credit card payments to make donations and support charitable activities in ways that would not otherwise be easily involved for individuals. Through this support, we are developing an environment that enables all cardmembers to participate in activities that contribute to society.

- Sanriku Railway Support Project (total support: ¥63,925,500 as of March 31, 2014)
Credit Saison carried out support activities to contribute to the reconstruction of the Sanriku Railway, which suffered tremendous damage in the Great East Japan Earthquake on March 11, 2011. These activities included enabling cardmembers to buy or exchange the program-related goods such as re-used sleeper plates and rails damaged in the disaster for their Eikyufumetsu Points as well as encouraging donation.
- Donations to help survivors of Typhoon Haiyan in the Philippines (total support: ¥5,232,500)

Following the massive typhoon that struck the Philippines in November 2013, we solicited donations from cardmembers to fund disaster relief, which we passed on to the government of the Philippines via its embassy.



Supporters participating in sleeper plate installation tour

Donations using Eikyufumetsu Points

We donate amounts corresponding to Eikyufumetsu Points applied for by cardmembers to various recipients.



Japan Soccer Representatives Support Fund
Donations to the Japan Football Association



Support for Rearing Guide Dogs
Donations to the Japan Guide Dog Association



Protection of Coral
Donations to Project AWARE



Environmental Protection at the Akagi Nature Park
Donations used in nature preservation activities



Support for Protecting the Earth
Donations to the Japan Fund for Global Environment



Support for the Education of Children Worldwide
Donations to the World Terakoya Movement of the National Federation of UNESCO Associations in Japan

THE CREDIT SAISON APPROACH TO CSR

Our concept of CSR is not limited simply to regulatory compliance and the creation of profit. We believe that CSR also means responding to the needs of citizens, communities and society, and developing business methods and activities that meet and surpass these needs. This concept guides our CSR activities, which are based on three perspectives:

Three perspectives on CSR activities

(1) To survive as a company and promote the interests of our customers, shareholders, employees, and other stakeholders

Our corporate mission is to conduct our business activities in a sound, appropriate and timely manner. Through efforts to enhance corporate governance, we will improve management transparency and strengthen the systems used to monitor the achievement of management targets.

(2) To contribute to society by fulfilling our responsibilities through our core business activities in the areas of credit cards and financing

Credit cards drive economic activity as extremely effective tools for settlements. Our priority is to prevent excessive use leading to heavy indebtedness, while ensuring that credit cards help to enrich the lives of our customers and contribute to economic development. As a finance company, we carefully manage private information in accordance with the Private Information Protection Law, and use it to prevent excessive indebtedness through the prudent provision of credit and appropriate monitoring after credit is provided.

■ Appropriate management of private information

We manage private information in accordance with laws, regulations and other requirements, including guidelines and industry rules. We have established internal corporate rules, and give our employees training in ethics. Our efforts to raise awareness of information management include the use of the “private information manager” qualification established by the Japan Consumer Credit Association. This qualification is now basically compulsory for employees who handle private information. Security measures have also been strengthened, with the use of leased lines, limited access authorization, encryption, and restricted access to data terminals. In May 2006, Credit Saison was authorized to use the PrivacyMark, a certification given to businesses with appropriate systems for handling private information, and we continue our efforts to maintain and enhance the protection level of private information.

■ Preventing excessive indebtedness

We recognize the risks of credit cards and strive to prevent excessive borrowing by monitoring borrowers' credit status after loans have been issued. Assistance for customers includes changes to contract terms and repayment amounts.

(3) To contribute to society in ways which are unique to Credit Saison

Tens of thousands of people, including our employees and their families, depend on the Credit Saison Group. We recognize our responsibilities as an employer and work constructively to resolve any employment issues.

As a leading-edge service company, we aim to use our business activities to provide services exceeding customer expectations in attention to detail and contribution to society.

■ Resolving employment issues

Credit Saison aims to provide amenable working environments for all employees, regardless of age or gender. We have made several workplace improvements in response to changes caused by Japan's falling birthrate and aging population. These include systems to help enable female employees to continue working after marriage and childbirth, such as a childcare leave system for employees with children under the age of three, and a system for working shorter hours. We also offer a nursing care system for employees caring for older relatives, and have a program for actively employing retirees.

■ Social Contribution Activities

In order to support charitable donations and other social contribution activities in which individual customers may find it difficult to participate on their own, we offer them a means of taking part in such activities by using their credit cards. Our regular lineup of rewards can be donated with Eikyufumetsu Points and other points that accrue in line with card usage.

CORPORATE GOVERNANCE

The Credit Saison Group is expanding and strengthening its business infrastructure to support its role as a leading-edge service company. We recognize that, along with the achievement of business objectives, the reinforcement of corporate governance is vital for obtaining the understanding and support of all our stakeholders—our customers, business partners, employees and society as well as shareholders. To increase management transparency and strengthen management supervisory functions, the Company is developing internal control systems and strengthening compliance.

Corporate Governance System

The Board of Directors consists of 16 directors, including one outside director. It decides important management matters and supervises the directors' performance. The Company aims to maintain and improve the efficiency of management by having the outside director attend Board of Directors meetings and other important meetings and offer advice and proposals to ensure that decision making in management is appropriate and correct.

To ensure that business is conducted properly and soundly and to strengthen corporate governance, the Board has developed effective internal control systems and established and maintained a framework to ensure Group-wide compliance with laws, regulations and the Articles of Incorporation. To ensure that directors perform their duties appropriately, the Board operates in accordance with the Board of Directors Regulations. Moreover, each director performs his or her duties in accordance with the Corporate Law, and properly manages the divisions under his or her control in accordance with the Organizational and Segregation of Duties Regulations to ensure that business activities are executed appropriately and efficiently.

Directors serve a one-year term of office. This policy allows us to build a flexible management structure capable of adapting to a changing business environment, while also requiring management to earn the confidence of shareholders every year.

The Company has introduced a statutory auditor system. The Audit & Supervisory Board consists of four statutory Audit & Supervisory Board Members, three being independent executives from outside the Company who are not likely to have a conflict of interest with general shareholders. The statutory Audit & Supervisory Board Members conduct rigorous audits by attending Board

of Directors meetings and other important meetings, reading important resolution documents, and examining the conduct of business and the state of the Company's assets.

The Audit & Supervisory Board also audits the effectiveness and functioning of internal control systems and strives to ensure the early detection of problems and improvement of accuracy.

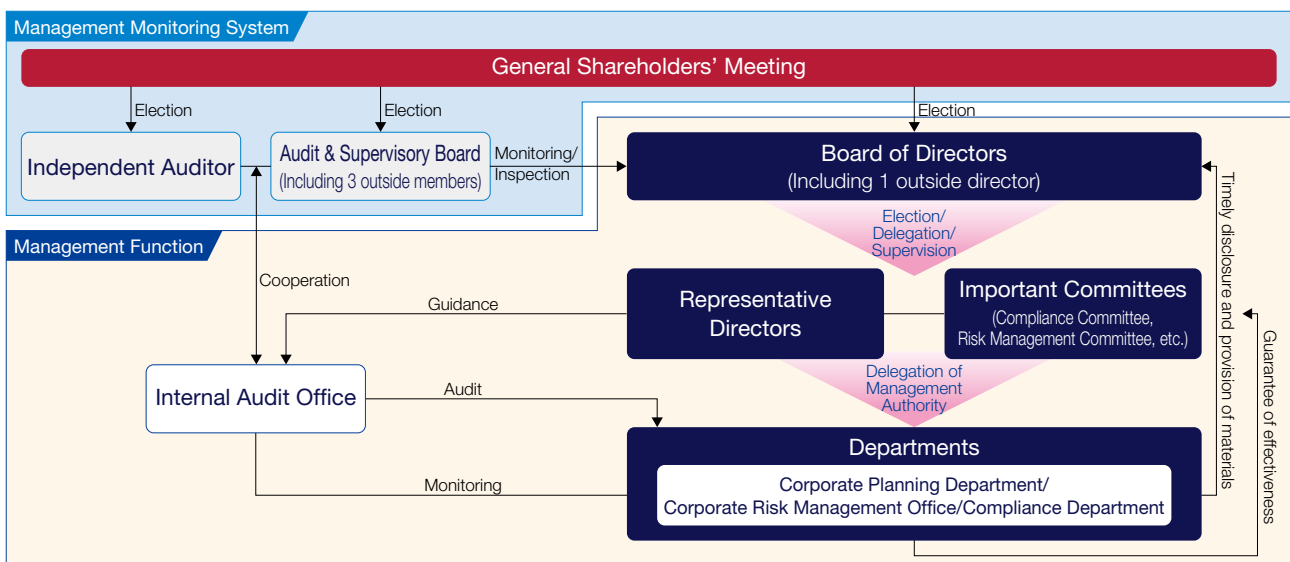
To assist the statutory Audit & Supervisory Board Members in their duties, the Company has established the Audit & Supervisory Board Members' Secretariat, which retains independence from the operating divisions (members serve concurrently in the Internal Control Division).

The Company plans and implements compliance measures including education and awareness-raising activities, and engages in risk management. To that end, the Company has established the Compliance Department as a dedicated department to ensure the observance of laws, regulations and corporate ethics; the Corporate Risk Management Office of the Corporate Planning Department as the dedicated risk management department; and the Compliance Committee and Risk Management Committee as dedicated organizations to ensure compliance and risk management.

The Internal Audit Office audits compliance, risk management, internal control systems and corporate governance in the organizational operations and business activities of Credit Saison and its affiliates, and makes evaluations and recommendations based on the results.

We will continue to expand information sharing among Group Companies and strengthen our Group management systems, and study approaches to management that meet the needs of the Credit Saison Group and contribute to the improvement of consolidated value.

Corporate Governance Structure



Personal and Other Relationships Between the Company and the Company's Outside Directors and Outside Statutory Audit & Supervisory Board Members

The Company has one outside director and three outside statutory Audit & Supervisory Board Members.

The outside director provides advice and proposals to ensure that decision-making in management is appropriate and correct, enabling directors, who are well versed in business operations, to maintain and improve management efficiency. In addition, the Company has strengthened management supervisory functions by appointing independent executives (three individuals)* from outside the Company, who are not likely to have a conflict of interest with general shareholders, as outside statutory Audit & Supervisory Board Members.

* All outside executives who meet the qualifications for an independent executive are designated as independent executives.

Selection Criteria for Outside Executives

For the selection of outside directors, the Company has adopted selection criteria in order to ensure appropriate and correct decision-making through management supervisory functions. Accordingly, the selection criteria for outside directors require candidates to possess either practical experience as a corporate manager, or a record of achievement and expansive knowledge in a specific specialized field. Furthermore, for the selection of outside statutory Audit & Supervisory Board Members, the Company has adopted selection criteria to ensure sound and transparent management through audits carried out from an impartial and objective perspective. Accordingly, the selection criteria for outside statutory Audit & Supervisory Board Members require candidates to possess abundant knowledge and experience in a variety of fields.

The Company has not established any specific criteria and policies regarding independence from the Company for the purpose of appointing outside directors or outside statutory Audit & Supervisory Board Members. However, in the course of making new appointments, the Company gives due consideration to ensuring the independence of these executives by referring to the requirements for independent executives stipulated by the Guidelines Concerning Listing Control, etc. and the Securities Listing Regulations of the Tokyo Stock Exchange.

The outside director is briefed on the audit results of the statutory Audit & Supervisory Board Members' audits and accounting audits at meetings of the Board of Directors. The outside director cooperates with the Internal Audit Office, which is an internal audit division, and the Corporate Planning Department, which is an internal control division,

Business Management Organization for Management Decision-Making, Execution and Supervision Other Conditions

Organization format	Company with statutory Audit & Supervisory Board Members
Number of directors stipulated by the Articles of Incorporation	Up to 25
Term of office for directors stipulated by the Articles of Incorporation	1 year
Chairman of the Board of Directors	President
Number of directors	16
Appointment of outside directors	Appointed
Number of outside directors	1
Appointment of outside statutory Audit & Supervisory Board Members	Appointed
Number of outside statutory Audit & Supervisory Board Members	3
Number of outside statutory Audit & Supervisory Board Members designated as independent executives	3

by receiving briefings on the status of business execution from each division, and other means.

The outside statutory Audit & Supervisory Board Members strive to strengthen cooperation with the accounting auditors and the Internal Audit Office, while working to enhance the effectiveness of audits by seeking briefings from the internal control divisions as necessary.

Remuneration for Directors and Statutory Audit & Supervisory Board Members

To clarify their responsibility for business execution and results and increase the independence of statutory Audit & Supervisory Board Members, the Company has eliminated the previous retirement bonus system and unified compensation for the performance of duties, including directors' bonuses, and worked to increase awareness of the importance of business performance.

Remuneration, etc., paid to directors and statutory Audit & Supervisory Board Members in fiscal 2013 was as follows:

Details of Remuneration for Directors and Statutory Audit & Supervisory Board Members

Position	Total remuneration amount (Millions of yen)	Total amount of remuneration by type (Millions of yen)		Number of persons
		Basic remuneration	Bonuses	
Directors (Excluding outside directors)	493	373	120	15
Statutory Audit & Supervisory Board Members (Excluding outside statutory Audit & Supervisory Board Members)	8	8	—	1
Outside executives	42	42	—	4

Notes: 1. The total amount of remuneration paid to directors does not include the employee salary amount in the case of employees who serve concurrently as directors.
2. As of March 31, 2014, the Company had 15 directors and 4 statutory Audit & Supervisory Board Members.

Remuneration for Independent Auditors

Remuneration based on duties performed pursuant to Article 2,

Paragraph 1 of the Certified Public Accountants Law: ¥103 million

Remuneration based on non-audit duties: ¥2 million

Overview of Internal Control Systems

As per the Corporate Law, the Board of Directors has set basic policies for directors to build a system that ensures adequacy and efficiency of the Company's business and compliance with laws, regulations and the Articles of Incorporation.

These policies are based on the philosophy to "always realize profitable growth and maximize the satisfaction of customers and other stakeholders by pursuing innovative ideas and strategies."

With regard to internal control over financial reporting, (known as "J-SOX"), our efforts center around the Corporate Risk Management Office, through which we coordinate the development of internal control systems by the Company and companies included in the scope of consolidation. Independent monitoring is carried out by specialist staff from the Internal Audit Office. On this basis, we are able to report to the authorities that our internal control systems are working effectively.

In building our internal control systems, we aim to build highly efficient and effective systems that will help to maximize the benefits for our stakeholders by maintaining appropriate business processes while increasing business results and strengthening earnings.

Rigorous Implementation and Enhancement of Compliance

Based on this reinforcement of corporate governance and internal controls, the Compliance Committee and Compliance Department are taking the lead in ensuring compliance with laws and regulations, and fairness and morality in business activities.

The managing director chairs the Compliance Committee, which reports to the Board of Directors. To discuss compliance-related matters, the Committee convenes periodically.

To ensure familiarity and observance with Company rules, regulations and ethics, we have published these standards and guidelines in *Our Compliance*, a pamphlet distributed to regular and contract employees.

The Company is working to prevent misconduct and scandals by publicizing its compliance consultation desk. The consultation desk strives to create a user-friendly environment by maintaining systems inside and outside the Company for accepting inquiries, including dedicated addresses on the Company intranet and the Internet. When a report is received, the Compliance Department cooperates closely with an attorney and aims to quickly resolve the matter, reports to the Compliance Committee, and then takes action to prevent reoccurrence.

In addition, the Compliance Department invites outside lecturers to conduct compliance training for executives and training for senior management including division managers. The Company appoints compliance officers and compliance coordinators in each division, and the divisions take the initiative in conducting compliance training in cooperation with the Compliance Department.

In addition, our compliance officers and compliance coordinators also play a role in controlling the Company's administrative risks.

Security and Reliability of Information Systems

As the use of IT grows, maintaining the security and stability of information systems is becoming increasingly important to ensure that customers can rely on the Company's credit cards.

We have implemented countermeasures against system disruptions, which may be caused by a wide variety of factors, including natural disasters, accidents or computer viruses, and higher system efficiency was achieved by centralizing clerical work. Credit Saison will continue efforts to keep its systems secure, reliable and efficient.

Risk Management

To prevent and appropriately respond to risk, the Company has formulated Risk Management Regulations and Regulations Concerning Management of Risk of Loss and, through the Risk Management Committee and the Corporate Risk Management Office of the Corporate Planning Department, works to prevent risks from materializing and minimize the effect on the Company when risks become apparent. To this end, the Company conducts periodic internal education and training for people working with the Risk Management Regulations, Regulations Concerning Management of

Risk of Loss and Crisis Management Regulations, and the Board of Directors periodically examines the regulations and issues revisions and improvements. In this way, the Company strives to maintain its risk management systems.

We strive to ensure the stability of our management base in the event of a large-scale disaster or other emergency. To this end, we have prepared countermeasures to ensure the continuity of critical operations and reduce the risk of operational interruption as much as possible. We maintain control over factors within the Credit Saison Group that have the potential to create serious risks by monitoring the operations of Group companies under the Affiliated Company Regulations, which are administered primarily by the Group Strategy Office of the Corporate Planning Department. Our risk management systems are further enhanced through information-sharing with the management organizations of Group companies.

Moreover, in the event that a risk occurs, the Company works to respond swiftly based on the Crisis Management Regulations, mainly administered through the Crisis Management Committee.

Proactive Disclosure of Information

The Company proactively discloses financial information through management reports, investment conferences, IR meetings and other events, and strives to ensure highly transparent management by posting financial result summaries, IR activities and other information on its website.

Principles regarding Antisocial Forces

The Company declares the following principles in order to prevent damage that may be inflicted by groups and individuals that pursue economic interests by taking advantage of violence, force, and fraudulent techniques (so-called antisocial forces).

1. The Company will not have any relationship with antisocial forces.
2. The Company will cooperate with external expert organizations and persons, including police, the Metropolitan area violation prevention association and lawyers, and will deal with antisocial forces in an appropriate and systematic manner in order to prevent damage that may be inflicted by such forces.
3. The Company will not accept any unreasonable demand from antisocial forces, and will firmly deal with such forces and take legal actions.
4. The Company will not provide funds to or do back-door deals with antisocial forces.
5. The Company will ensure the safety of officers and employees who deal with unreasonable demands from antisocial forces.

BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

(As of June 30, 2014)



Hiroshi Rinno

President and CEO
Head of Audit Office and Credit Card Division



Teruyuki Maekawa

Representative,
Executive Vice President
Head of Public Relations Office,
General Affairs Dept., and
System Planning Dept.



Naoki Takahashi

Representative,
Senior Managing Director
Head of Corporate Planning Dept.,
Internet Business Division and
Overseas Business Division



Haruhisa Kaneko
Managing Director

Head of Compliance Dept.
and Credit Division,
and General Manager,
Credit Division



Hiroshi Yamamoto
Managing Director

Head of Finance Division,
Commercial Payment
Promotion Dept. and
Mizuho-Alliance
Development Dept.



Masahiro Yamashita
Managing Director

Head of Sales Develop-
ment Division,
Amex Promotion Dept.
and Alliance
Development Dept.



Junji Kakusho
Managing Director

General Manager,
Credit Card Division
Internet Business Division



Kazuhiro Hirase
Director

General Manager,
Sales Development
Division



Sadamu Shimizu
Director

General Manager, Finance
Division
Processing Business Dept.
and Retail Business Dept.



Akihiro Matsuda
Director

Overseas Management
Dept.



Teruhisa Aoyama
Director

Head of Treasury & Ac-
count Dept.
Corporate Planning Dept.



Yoshihisa Yamamoto
Director

System Planning Dept.



Tatsunari Okamoto
Director

Affinity Business Dept.,
Web Branch,
Card Finance Dept.



Katsumi Mizuno
Director

Business Planning Dept.
General Manager,
Overseas Business
Division



Masako Takeda
Director

Head of Strategic Human
Resources Dept.
Customer Satisfaction
Promotion Office



Yasuhisa Ueno
Director (External)



Yoshitaka Murakami
Standing Audit &
Supervisory Board
Member (External)



Masaru Sakurai
Standing Audit &
Supervisory Board
Member (External)



Yoshirou Yamamoto
Audit & Supervisory
Board Member



Atsushi Toki
Audit & Supervisory
Board Member
(External)

REVIEW OF OPERATIONS

Results for Fiscal 2013

Growth in the use of credit cards for shopping has kept pace with the expansion in the areas in which credit cards can be used. However, although the contraction of the market for cash advances on credit cards caused by revisions to the Money Lending Business Act is slowing down, a full-scale recovery has not yet begun. As a result, business conditions remain highly challenging.

In this environment, Credit Saison has responded by working to lay the foundations for new growth: we have been expanding cashless settlement services centered on credit cards, enhancing fee-based business centering on our Internet business, and promoting non-bank financial functions, such as our lease and finance businesses. We have also embarked upon full-scale entry into retail finance businesses in Asia.

In our credit card business, as a forward-looking initiative to expand the customer base, we continued to strengthen efforts to solicit members for the Saison American Express® Card, which is expected to generate high usage rates and spending per transaction, and to attract new members using the Internet. As a result of these efforts, we gained 2.53 million new cardmembers in fiscal 2013, an increase of 0.7% over the previous year. As an initiative to expand card shopping transaction volumes, we implemented joint projects in which Credit Saison and a diverse array of companies in the travel, services, and other sectors encourage customers to use each other's services by providing special benefits when customers use credit cards. In addition, we conducted the Regional Revitalization Campaign in collaboration with merchants and other partners in cities and districts including Yaesu/Nihonbashi, Kyoto, and Sapporo, with the aim of creating new sources of consumption through credit card use. We also increased the number of affiliated merchants through the introduction of the Coiney smartphone settlement service. Through these and other measures, the card shopping transaction volume increased steadily to ¥3,8529 trillion, up 8.6% year-on-year. The card shopping revolving credit balance also grew steadily to ¥267.8 billion, a year-on-year increase of 2.9%.

Although revisions to the Money Lending Business Act brought about in a fall in the balance of cash advances on cards, new users increased. As a result, transaction volume has recovered and has been higher than the previous year's levels since December 2013.

In our lease business, transaction volume expanded by 8.9% year-on-year to ¥114.6 billion because of the implementation of joint campaigns with existing lease business partners and an increase in the number of new partner merchants.

In our finance business, which comprises our credit guarantee business and other finance-related businesses, operating revenues increased, mainly on the back of steady growth in the credit guarantee business, with the balance of credit guarantees rising to ¥230.0 billion, up 16.6% year-on-year. This growth was supported by close cooperation with partner financial institutions on both the sales and management fronts. Operating revenue was also propped up by increases in the number and value of implemented transactions related to the Flat 35 mortgage loan program and Saison Asset Formation Loans.

As a result, operating revenues increased by 1.3% year-on-year to ¥247.5 billion.

In the realm of operating expenses, we undertook thorough risk management in order to build up high-quality receivables. At the same time, we made upfront investments associated with the acquisition of new cards and the promotion of card use as a means of laying the foundations for future growth. We also increased the allowance for losses on interest repayments. Consequently, ordinary income declined 16.5% year-on-year to ¥44.4 billion and net income dropped 22.0% from the previous year to ¥25.5 billion.

Credit Saison attaches considerable importance to initiatives to reinforce its corporate structure and continuously expand its businesses, in order to increase shareholder value. Our fundamental policy on shareholder returns calls for steady enlargement of internal reserves to realize the initiatives described above, while delivering appropriate, stable, and continuous dividend payments to our shareholders. Based on this policy, we have decided to keep our annual dividends for fiscal 2013 unchanged from the previous year at ¥30 per share. We also plan to pay annual dividends of ¥30 per share for fiscal 2014.

Results by business segment

	Billions of yen					
	Operating revenues			Operating income		
	2014	2013	% change	2014	2013	% change
Credit service	189.6	190.4	99.6	14.7	24.1	60.9
Lease	14.2	14.4	98.9	6.0	6.1	98.0
Finance	19.1	17.3	110.3	10.0	8.9	112.1
Real estate-related	12.6	9.8	129.2	3.8	0.9	408.3
Entertainment	13.0	13.5	95.7	1.6	2.1	76.6
Total	248.7	245.6	101.3	36.3	42.3	85.7
Inter-segment transactions	(1.1)	(1.2)	—	0.0	(0.0)	—
Consolidated	247.5	244.4	101.3	36.3	42.3	85.9

* Figures include intersegment operating revenues.

(Year ended March 31)

SIX-YEAR SUMMARY OF SELECT FINANCIAL DATA

As of and for the years ended March 31

	Millions of yen						Thousands of U.S. dollars (Note 4)
	2014	2013	2012	2011	2010	2009	2014
CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	¥ 247,577	¥ 244,405	¥ 244,009	¥ 285,713	¥ 306,855	¥ 327,089	\$ 2,406,937
Selling, general and administrative expenses	197,852	187,171	192,185	235,759	246,305	268,658	1,923,511
Financial costs	13,389	14,922	19,958	22,577	24,377	23,882	130,164
Operating income	36,336	42,312	31,866	27,377	36,173	34,548	353,262
Net income (loss)	25,569	32,770	9,454	12,830	18,680	(55,513)	248,587
At year-end:							
Total equity	¥ 422,987	¥ 394,868	¥ 355,727	¥ 347,916	¥ 341,405	¥ 320,595	\$ 4,112,253
Total assets	2,286,100	2,141,802	2,155,906	2,231,247	2,374,129	2,407,064	22,225,351
Interest-bearing debt (Note 2)	1,468,740	1,359,856	1,409,802	1,657,832	1,776,827	1,893,017	14,279,020
Per share data (in yen and U.S. dollars):							
Net income (loss) per share	¥ 139.24	¥ 178.45	¥ 51.48	¥ 69.86	¥ 102.48	¥ (308.25)	\$ 1.35
Equity per share	2,284.14	2,131.58	1,920.65	1,879.98	1,845.82	1,766.95	22.21
Key financial ratios (%):							
Return on equity (ROE)	6.3	8.8	2.7	3.8	5.7	—	
Return on assets (ROA)	1.2	1.5	0.4	0.6	0.8	—	
Equity ratio	18.4	18.3	16.4	15.5	14.3	13.2	
NON-CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	¥ 205,873	¥ 204,121	¥ 210,207	¥ 239,657	¥ 257,924	¥ 270,900	\$ 2,001,494
Selling, general and administrative expenses	160,927	149,844	153,505	194,194	205,042	220,708	1,564,530
Financial costs	15,119	16,882	18,809	19,977	22,221	21,530	146,990
Operating income	29,826	37,394	37,893	25,484	30,661	28,661	289,974
Net income (loss)	18,637	24,147	5,613	7,596	16,137	(44,972)	181,195
At year-end:							
Total equity	¥ 367,808	¥ 349,202	¥ 322,502	¥ 320,303	¥ 319,712	¥ 304,230	\$ 3,575,814
Total assets	2,200,459	2,051,908	2,059,435	2,097,773	2,200,459	2,220,791	21,392,763
Interest-bearing debt (Note 2)	1,454,332	1,334,302	1,364,960	1,571,610	1,645,206	1,748,245	14,138,952
Key financial ratios (%):							
Return on equity (ROE)	5.2	7.2	1.8	2.4	5.2	—	
Return on assets (ROA)	0.9	1.2	0.3	0.4	0.7	—	
Equity ratio	16.7	17.0	15.7	15.3	14.5	13.7	
NON-CONSOLIDATED Transaction volume:							
Card shopping	¥ 3,852,980	¥ 3,547,050	¥ 3,402,494	¥ 3,953,411	¥ 3,844,670	¥ 3,891,076	\$ 37,458,489
Cash advances	264,092	260,089	266,904	371,403	604,347	765,385	2,567,491
Specialty loans	45,505	32,949	34,597	36,514	43,768	326,170	442,410
Agency services (Note 3)	2,303,998	2,166,062	2,112,431	1,362,275	1,310,419	1,347,260	22,399,364
Leases	114,694	105,356	96,852	92,709	100,893	100,272	1,115,050
Guarantees	126,281	115,297	92,837	73,375	85,637	107,532	1,227,705
Others	30,005	23,868	20,482	22,894	23,380	22,475	291,711
Total transaction volume	¥ 6,737,558	¥ 6,250,675	¥ 6,026,599	¥ 5,912,587	¥ 6,013,118	¥ 6,560,174	\$ 65,502,221

Notes: 1. Operating revenues do not include consumption taxes.

2. Interest-bearing debt includes asset-backed securities.

3. Agency services show transactions handled on behalf of other companies' cards.

4. Japanese yen amounts have been translated into U.S. dollars at the rate of ¥103 = U.S.\$1, the approximate exchange rate on March 31, 2014, for the convenience of the reader.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal year ended March 31, 2014

I. THE CREDIT SAISON GROUP

The Credit Saison Group has five business segments: Credit Service Business, Lease Business, Finance Business, Real Estate-related Business, and Entertainment Business. The most important segment is the Credit Service Business (centering mainly on credit cards), which accounted for about 80% of the Company's total operating revenue in fiscal 2013.

The Credit Saison Group's main operating revenues are fees from affiliated stores generated via the use of credit cards for shopping, as well as interest and fees from customers generated via revolving credit, cash advances, and various loans.

On the other hand, the Credit Saison Group's main operating expenses are advertising expenses, point redemption costs, costs of uncollectible receivables, personnel expenses, Fees paid and financial costs.

II. ANALYSIS OF INCOME STATEMENTS

1. Market Environment

In fiscal 2013, the modest recovery in the Japanese economy continued, with high share prices and a weak yen driven by expectations around a more proactive monetary policy and economic measures, and corporate performance and individual consumption remaining solid. In the non-bank industry, the Company's principal business sector, credit card-based shopping has been growing in step with the expansion of the areas in which credit cards can be used. However, while the contraction in the market for cash advances brought about by the revision of the Money Lending Business Act is slowing, it has not experienced a full-scale recovery. As such, the non-bank industry continued to face a challenging business environment.

2. Operating Revenues

In the mainstay Credit Service Business, the Company sought to expand its customer base with a view to future earnings, by continuing to bolster efforts to acquire new members for Saison American Express® Card, which is expected to generate high utilization and high spending per transaction and efforts to attract new members using the Internet. In addition, the Company worked closely with partner merchants to increase cardmember enrollment in affinity cards, upgrading Mitsui Shopping Park

Card Saison, which is issued in partnership with Mitsui Fudosan Co., Ltd. and Mitsui Fudosan Retail Management Co., Ltd., and establishing a single points program and integrated services at 32 facilities operated by the Mitsui Fudosan Group nationwide. As a result, the number of new cardmembers reached 2.53 million (up 0.7% on the previous fiscal year).

In its endeavors to expand the card shopping transaction volume, the Company developed joint referral programs in which Credit Saison and a diverse array of companies in the travel, service, and other sectors encourage customers to use each other's services by providing special benefits when customers use credit cards. In addition, it conducted the Regional Revitalization Campaign in collaboration with merchants and other partners in areas including Yaesu/Nihonbashi, Kyoto, and Sapporo, with the aim of creating new sources of consumption through credit card use. The Company also expanded the number of affiliated merchants through the introduction of the Coiney smartphone settlement service. As a result, the card shopping transaction volume rose steadily to ¥3.8529 trillion (up 8.6% year-on-year), while the shopping-related revolving credit balance also increased, to ¥267.8 billion (up 2.9% from the end of the previous fiscal year).

With a view to expanding the areas in which credit card settlement is used, Credit Saison has partnered with the major drugstore chain cocokara fine Inc. to issue the COCOKARA CLUB CARD, a prepaid Visa card that can be used at Visa-affiliated merchants within Japan and overseas. As a result of both companies having stepped up cardmember enrollment, the total number of cards issued since enrollment commenced in April 2013 reached 3.07 million.

Furthermore, in order to bolster the Company's earning capacity via the Internet, Credit Saison increased the number of Internet members to 9.95 million (up 16.3% from the end of the previous fiscal year). In addition, it sought to develop new forms of business via the Internet, boosting the volume of transactions by increasing the convenience of the Eikyufumetsu.com online shopping mall, which enables cardmembers to accrue up to 30 times as many Eikyufumetsu Points as if they had used an online shopping site directly. The Company also launched Saison CLO, Japan's first coupon service linked to card settlement.

However, as a result of the cash advance balance falling to ¥245.0 billion (down 8.4% from the end of the previous fiscal year), due to factors including the impact of the revised Money

Breakdown of selling, general and administrative (SG&A) expenses

	Millions of yen		
	2014	2013	% change
Cost of uncollectible receivables	24,880	23,130	7.6
Included in the above:			
Allowance for losses on accounts receivable	10,471	14,235	(26.4)
Losses on accounts receivable	3	2	25.7
Provision for losses on interest repayment	10,851	5,729	89.4
Allowance for losses on guarantees	3,554	3,162	12.4
SG&A expenses excluding cost of uncollectible receivables	172,971	164,040	5.4
Included in the above:			
Advertising expenses	19,333	17,263	12.0
Provision for point program	12,748	7,908	61.2
Personnel expenses	42,768	42,354	1.0
Fees paid	54,399	52,441	3.7
Total SG&A expenses	197,852	187,171	5.7

(Year ended March 31)

Lending Business Act, overall operating revenue across the Company's credit service business declined to ¥189.679 billion (down 0.4% year-on-year).

In the Lease Business, joint campaigns with existing lease business partners and an increase in the number of new partner merchants resulted in an expansion in transaction volume to ¥114.6 billion (up 8.9% year-on-year).

Earnings increased in the Finance Business, due to close collaboration with partner financial institutions in terms of both sales and management in the credit guarantee sector, where the balance of credit guarantees rose steadily to ¥230.0 billion (up 16.6% from the end of the previous fiscal year). In addition, the expansion in the number of Flat 35 mortgage loan transactions implemented and the Saison Asset Formation Loan program also contributed to earnings.

In the Real Estate-related Business, earnings increased as a result of a rise in real estate turnover on the back of a recovery in the real estate market and greater sales activity.

Earnings in the Entertainment Business were down, due to a fall in sales amount.

Consequently, operating revenues reached ¥247.577 billion (up 1.3% year-on-year).

3. Operating Expenses and Operating Income

During fiscal 2013, the Credit Saison Group saw operating expenses rise to ¥211.241 billion (up 4.5% year-on-year), as a result of an increase in upfront investment costs arising from active promotion of new card issuance, coupled with a rise in the allowance for losses on interest repayment. Consequently, operating income fell to ¥36.336 billion (down 14.1% year-on-year).

4. Non-operating Revenues and Expenses

Non-operating revenues fell to ¥10.808 billion (down 3.5% year-on-year), while non-operating expenses rose to ¥3.141 billion (up 351.9% year-on-year).

III. POLICY FOR RETURN TO SHAREHOLDERS

To increase shareholder value, Credit Saison attaches great importance to initiatives aimed at reinforcing its corporate structure and achieving ongoing expansion in its businesses. The Company's fundamental policy on shareholder returns calls for steady enhancement of internal reserves to realize the aforementioned initiatives, while delivering appropriate, stable, and continuing dividend payments to its shareholders.

The Company also plans to invest internal reserves efficiently in order to achieve low-cost operations and ongoing expansion of its businesses.

1. Dividend per Share

Based on its dividend policy, Credit Saison declared annual dividends of ¥30 per share for fiscal 2013.

IV. REVIEW OF OPERATIONS BY SEGMENT

1. Credit Service Business Segment

The businesses in this segment include the Company's credit card shopping business and servicing (loan collection agency) business. In the credit card sector, the areas in which people use credit cards are expanding year by year, and the shift away from cash in favor of credit card settlement is continuing, with cards increasingly

being used for settlement of small amounts, as well as for online shopping. On the other hand, it is anticipated that the business environment will continue to be difficult, given that the contraction in the scale of the cash advance market is compelling companies to transform their business models.

Amid this situation, Credit Saison sought to reinforce its revenue base by expanding cashless settlement services centered on credit cards, as well as enhancing its fee-based business centering on its Internet business, and embarking upon full-scale entry into the retail finance business in Asia. In addition, the Company has sought to improve operational efficiency by such means as strengthening initiatives to deal with credit risk and revising the cost structure to take account of cost-effectiveness.

However, as a result of earnings from cash advances falling in the wake of the revision of the Money Lending Business Act, among other factors, operating revenue declined to ¥189.679 billion (down 0.4% year-on-year) in fiscal 2013, while operating income fell to ¥14.723 billion (down 39.1% year-on-year).

1) Credit Card Shopping Business

In fiscal 2013, the number of new cardmembers rose to 2.53 million (up 0.7% year-on-year), while the total number of cardmembers stood at 24.75 million (down 0.3% from the end of the previous fiscal year) at the end of fiscal 2013. The number of active cardmembers for the year was 14.2 million (up 4.3% year-on-year).

The card shopping transaction volume was ¥3.8529 trillion (up 8.6% year-on-year), while the shopping-related revolving credit balance reached ¥267.8 billion (up 2.9% from the end of the previous fiscal year). On the other hand, the cash advance balance fell to ¥245.0 billion (down 8.4% from the end of the previous fiscal year).

■ Key Initiatives in the Credit Card Shopping Business During Fiscal 2013

• Enhancing Cashless Settlement Services Through Credit Cards

Credit Saison seeks to realize a cashless society through initiatives to break the dominance of the cash market, which represents the dominant transaction settlement method for consumer spending in Japan. To this end, the Company is working to develop and provide a variety of cashless settlement methods centered on credit cards.

One of Credit Saison's priority strategies is to enhance premium cards offering prospects for high utilization and high spending per transaction. Accordingly, we continued to strengthen cardmember enrollment activities for the Saison American Express® Card series, which features a lineup of four high-status premium cards that can be chosen according to customer lifestyles. One of these enrollment activities involves forming alliances with various kinds of companies that meet the needs of American Express cardmembers. By offering cardmembers service-based perks, Credit Saison and its alliance partners can effectively encourage our respective customers to use each company's services. Through this approach, Credit Saison strove to expand the number of new cardmembers.

To upgrade the Mitsui Shopping Park Card Saison, which is issued in partnership with Mitsui Fudosan Co., Ltd. and Mitsui Fudosan Retail Management Co., Ltd., Credit Saison established a single points program and integrated services at 32 facilities operated by the Mitsui Fudosan Group nationwide. Credit Saison has stepped up efforts to encourage mutual referral of

customers and card use at the Mitsui Fudosan Group's commercial facilities by extending the scope of the points program and special offers for members to encompass the COREDO Nihonbashi and COREDO Muromachi commercial facilities in central Tokyo, in addition to the LaLaport and Mitsui Outlet Park suburban shopping malls covered by these programs hitherto. At the same time, with a view to bringing in business in the corporate settlement market, Credit Saison has formed an alliance with Concur Japan, Ltd., provider of the Concur cloud-based expense management solution. The Company has sought to promote a shift to cashless settlement in a range of corporate transactions by supporting a substantial decrease in the work involved in expense management, in combination with the introduction of Credit Saison's own corporate cards. As well as using web-based channels to step up the enrollment of cardmembers with a high card utilization rate, the Company worked with partner companies to enroll cardmembers and expand sales at partner companies. Initiatives in this area included offering discounts and double points at affiliated retailers, and allowing cardmembers to exchange Eikyufumetsu Points for gift certificates that can be used at affiliated merchants.

The Regional Revitalization Campaign was another initiative to encourage greater card use, in which Credit Saison partnered with department stores, specialty stores, and other retail outlets in such areas as Shibuya, Sendai, Ikebukuro, Yaesu/Nihonbashi, Kyoto, Sapporo, and Tenjin, as well as with other card companies. This campaign featured measures aimed at revitalizing consumption and increasing customer and merchant satisfaction, with the objective of promoting card use and increasing sales for retailers, thereby contributing to the revitalization of the districts concerned.

At the same time, with a view to expanding the areas in which credit card settlement is used, Credit Saison has partnered with the major drugstore chain cocokara fine Inc. to issue the COCOKARA CLUB CARD, Japan's first prepaid Visa card that can be used at Visa-affiliated merchants within Japan and overseas. As a result of both companies having stepped up cardmember enrollment, the total number of cards issued since enrollment commenced in April 2013 reached 3.07 million. As well as functioning as a loyalty card that allows cardmembers to accumulate bonus points at the company's stores, it can be used for shopping at Visa-affiliated merchants worldwide, up to the amount loaded onto the card in advance. This offers a new, more convenient means of shopping at drugstores, where cash has tended to be the main form of payment until now.

Credit Saison has also introduced the Coiney smartphone settlement service offered by Coiney, Inc. The Company began soliciting affiliated merchants in April 2013 and acquired a stake in Coiney, Inc. that August, thereby strengthening joint business development by the two companies. Credit Saison is striving to speed up efforts to diversify card usage situations that make effective use of the unique functionality of smartphones, as well as aiming to further expand the credit card settlement market.

Going forward, in addition to the Company's existing range of credit cards, Credit Saison will aim to establish other sources of earnings in the cashless settlement market by enhancing prepaid services and other new settlement services.

• Enhancing Fee-based Business via the Internet

In order to revitalize consumer spending through the provision of online shopping and other user-friendly Internet services, Credit Saison is seeking to increase the number of Internet members,

who form the basis of the Company's Internet business. The total number of Internet members stood at 9.95 million at the end of fiscal 2013 (up 16.3% from the end of the previous fiscal year).

The Eikyufumetsu.com online shopping mall enables cardmembers to accrue up to 30 times as many Eikyufumetsu Points as if they had used an online shopping site directly. With the service entering its 7th year of operation, Credit Saison positioned fiscal 2013 as the second establishment period of Eikyufumetsu.com. As well as increasing convenience by augmenting the product search function and releasing the Eikyufumetsu.com Points Declaration, which freed cardmembers from the requirement to use Eikyufumetsu.com to access online shopping sites, the Company strove to increase transaction volumes by bolstering communications with customers, including sending e-mails to users of the site.

With a view to developing an Internet business second only to Eikyufumetsu.com, Credit Saison is steadily increasing its range of services through such initiatives as the launch of Saison CLO, Japan's first coupon service linked to card settlement. In addition, the Company has worked with VALUES, Inc. on the joint development of eMark+Lite, a research tool that analyzes the online activity history of Internet users. The goal of this is to provide a solution that will enable companies to identify ways of increasing traffic to their sites.

In the rapidly-changing Internet business sector, Credit Saison will continue to move nimbly to form partnerships with both major Internet companies that have outstanding content and platforms, and start-ups that have new technologies. Through these partnerships, the Company will build a business model that will generate earnings from a range of online services.

• Credit Risk Management

Credit Saison continues to accumulate healthy receivables by taking steps to recover overdue receivables swiftly and continuing to ensure payment of receivables through credit counseling. Another approach the Company employs is to encourage customers to make advance deposits into their remitting accounts by no later than the payment deadline, in order to prevent receivables from becoming overdue. The Company carries out a range of measures during initial and intermediate credit checks, with the goal of providing appropriate credit that takes various environments into account. Through these measures, the Company aims to achieve further growth in high-quality receivables.

Consequently, the Company is making steady progress in improving the state of its receivables. It will continue to implement thorough credit control that achieves a balance between revenue and risk, by strengthening its credit and debt recovery systems to take account of various changes in the environment.

• Full-scale Entry into Retail Finance in Asia

In April 2013, Credit Saison established a consulting company in Hanoi, Vietnam. In doing so, it aims to support local companies in developing the retail finance business, by offering them the know-how that it has cultivated within Japan in such fields as credit cards, installment purchases, and loans. The Company's ultimate objective is to embark upon full-scale entry into the retail finance business in the fast-growing Asian region. As well as seeking to commercialize its support services for the retail finance business, Credit Saison will cultivate its expertise to ensure that it meets market needs in the Asian region.

In December 2013, Credit Saison began participating in the Global Payment Fund. This investment fund is the first of its

kind in Japan and is dedicated to payment ventures. It was established jointly by online payment processing company GMO Payment Gateway, Inc. and venture capital/incubation company GMO VenturePartners, Inc., which are both part of the GMO Internet Group. The Company is seeking to expand its local network by gaining a toehold in the payments field, which is developing rapidly amid the remarkable growth being seen in fast-growing Southeast Asia.

Going forward, Credit Saison will continue to lay the foundations of its medium- to long-term overseas strategy, with a view to expanding into non-bank fields in Indonesia and Singapore, among other countries.

■ New Developments and Future Initiatives

In December 2013, Credit Saison began field trials of an O2O (Online to Offline) platform linked to an NTT DoCoMo, Inc. app that offers points for visiting shops. After downloading the app onto their smartphones, users earn points just by visiting participating stores. The points accumulated can then be exchanged for gift vouchers and other special offers. At the same time, participating stores can identify the attributes of those visiting the store and send out store information and coupons tailored to customer attributes.

In this O2O field trial, Credit Saison is examining purchasing trends among users after they visit each store, and will use this information in the full-scale development of an O2O customer referral service aimed at cardmembers.

2) Servicing (Loan Collection Agency) Business

Credit Saison's subsidiary JPN Holdings Co., Ltd. is mainly involved in contract-based servicing of small unsecured loans. New sales contracts rose, after it sought to expand its business in the fields of factoring, agency services concerning auto loan receivables, and services for government ministries and agencies. However, with non-bank companies – its main clientele – improving the soundness of their receivables and bringing receivables management in-house, the number of contracts from existing clients fell, resulting in reduced earnings throughout this business.

2. Lease Business Segment

According to statistics released by the Japan Leasing Association, the total value of contracts for the leasing industry as a whole in fiscal 2013 was ¥5.2390 trillion (up 7.5% year-on-year).

During the same period, Credit Saison's contracts totaled ¥114.6 billion (up 8.9% year-on-year). The main factors behind this were joint campaigns with existing lease business partners and an increase in the number of new partner merchants, coupled with efforts to expand marketing channels for LED lighting and other energy-saving products in the rental business. Operating revenues declined to ¥14.272 billion (down 1.1% year-on-year) and operating income fell to ¥6.025 billion (down 2.0% year-on-year).

3. Finance Business Segment

This segment is composed of the Company's credit guarantee business and its finance-related business. On the credit guarantee business side, both the value of guarantees executed and the guarantee balance increased, due to strengthened collaboration with partner financial institutions. In the finance-related business side, Credit Saison's Flat 35 long-term fixed-rate mortgage loans (the receivable of which is acquired and securitized

by the Japan Housing Finance Agency) contributed to earnings.

As a result, operating revenues for fiscal 2013 increased to ¥19.114 billion (up 10.3% year-on-year), while operating income rose to ¥10.071 billion (up 12.1% year-on-year).

1) Credit Guarantee Business

Credit Saison focused on securing high-quality transactions through close collaboration with partner financial institutions in terms of both sales and management, particularly in the area of guarantee business for unsecured free loans on deed approach to individual customers.

The Company sought to build a finely-tuned partnership framework with regional financial institutions through free-loan guaranteed products for which the loan purposes were expanded to include business finance. As a result, Credit Saison formed new partnerships with 26 regional financial institutions in fiscal 2013, bringing the total number of partner institutions to 368 (up 20 from the end of the previous fiscal year), and the guarantee balance (before deduction of the allowance for loss on guarantees) rose to ¥230.0 billion (up 16.6% from the end of the previous fiscal year).

2) Other Finance-related Business

Credit Saison has been handling Flat 35 loans since March 2009. The market has reacted favorably to the Company's continuing provision of 100% financing for the purchase price of a house via the combined use of the Flat 35 Plus scheme, its perks for cardmembers, and the trust and sense of security toward Credit Saison that have developed through its credit card business. As a result, the number of transactions reached 2,692 (up 52.6% year-on-year), with a value totaling ¥75.9 billion (up 57.6% year-on-year), while the loan balance (balance after transfer of receivables to the Japan Housing Finance Agency) rose to ¥218.6 billion (up 42.5% from the end of the previous fiscal year).

In January 2013, Credit Saison began offering the Saison Asset Formation Loan. Through collaboration with the Company's business partners, the number of transactions during fiscal 2013 reached 1,214, with a value totaling ¥27.8 billion, while the loan balance stood at ¥31.9 billion.

The balance of receivables in the Company's other finance-related business reached ¥105.4 billion (up 48.8% from the end of the previous fiscal year) at the end of fiscal 2013.

4. Real Estate-related Business Segment

This segment consists of the real estate business, the real estate leasing business and other businesses. Due to the recovery in the real estate market and greater sales activity, operating revenues for fiscal 2013 increased to ¥12.674 billion (up 29.2% year-on-year), while operating income rose to ¥3.899 billion (up 308.3% year-on-year).

5. Entertainment Business Segment

This segment consists of the amusement business and other operations. Credit Saison is striving to create sound, safe and comfortable amusement facilities that have the backing of their communities. Operating revenues for fiscal 2013 fell to ¥13.019 billion (down 4.3% year-on-year), while operating income declined to ¥1.612 billion (down 23.4% year-on-year).

V. LIQUIDITY AND FINANCIAL POSITION

1. Fund Procurement and Liquidity Management

• Fund Procurement

The Credit Saison Group emphasizes stability and low cost in fund procurement, and is endeavoring to diversify its procurement methods. Key procurement methods include negotiated transactions with banks, related financial institutions, life insurance companies, and non-life insurance companies. In addition, the Company is endeavoring to procure funds both indirectly, via syndicated loans and the establishment of commitment lines, and directly, by such means as the issue of commercial paper (CP) and the securitization of receivables. As of March 31, 2014, consolidated interest-bearing liabilities (including off-balance sheet securitization totaling ¥48.0 billion and lease obligations of ¥3.4 billion) stood at ¥1.4687 trillion. Of this, loans accounted for 69.4%, bonds for 18.8%, CP for 7.8%, and securitization of trade receivables, etc. for 4.0%.

With regard to indirect procurement, Credit Saison is striving to mitigate refinancing risk and reduce costs by strengthening relationships with existing lenders. In addition, the Company aims to diversify sources of procurement by cultivating new lenders, focusing on financial institutions that offer the prospect of stable transactions in the long term. In the case of direct procurement, as well as using corporate bonds and commercial paper, Credit Saison is aiming to mitigate liquidity risk and reduce costs by establishing new financing techniques, such as the securitization of receivables that are not affected by the Company's creditworthiness.

To ensure smooth procurement of funds from capital markets, the Company has obtained credit ratings from Rating and Investment Information, Inc. (R&I) for the bonds that Credit Saison issues. The Company has received an A+ rating for its domestic unsecured corporate bonds and an a-1 rating for its domestic CP.

• Liquidity Management

61.1% of the Credit Saison Group's assets consist of installment receivables, mainly in the Credit Service Business. Their annual average turnover rate is in excess of four times, helping Credit Saison to maintain a high level of liquidity.

2. Cash Flows

• Cash Flows from Operating Activities

The cash flow used in operating activities in fiscal 2013 reached ¥80.534 billion, compared to ¥75.773 billion during the previous fiscal year.

This was mainly due to expenditure arising from a net increase of ¥104.681 billion in installment receivables and other trade receivables, partly offset by income before income taxes and minority interests of ¥44.003 billion.

• Cash Flows from Investing Activities

The cash flow used in investing activities in fiscal 2013 reached ¥7.675 billion, compared to ¥11.382 billion during the previous fiscal year.

This was mainly due to expenditure of ¥32.610 billion arising from the acquisition of tangible and intangible fixed assets, such as the development of shared core systems, partly offset by proceeds of ¥31.867 billion from the real estate liquidation business.

• Cash Flows from Financing Activities

The cash flow from financing activities in fiscal 2013 reached ¥83.364 billion, compared to the outflows of ¥66.961 billion during the previous fiscal year.

This was mainly due to a net increase of ¥100.0 billion in income from commercial paper, partly offset by expenditure of ¥36.770 billion on repayment of payables under securitized account receivables.

Consequently, cash and cash equivalents fell by ¥4.777 billion from the end of the previous fiscal year to ¥52.678 billion.

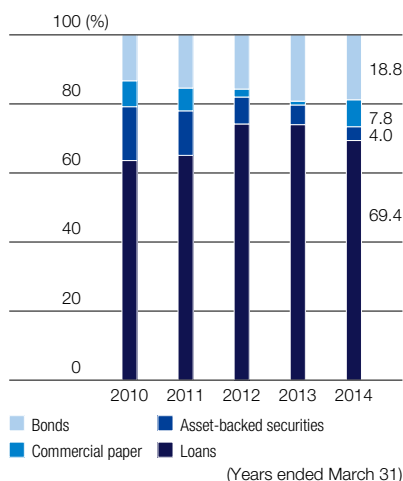
3. Assets, Liabilities, and Equity

Total assets at the end of fiscal 2013 increased by ¥144.297 billion from the end of the previous fiscal year to ¥2.286100 trillion, due primarily to an increase in installment receivables.

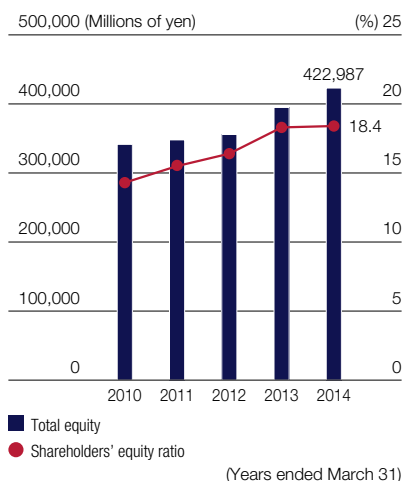
Liabilities at the end of fiscal 2013 increased by ¥116.179 billion from the end of the previous fiscal year to ¥1.863113 trillion. This increase included ¥90.884 billion in interest-bearing liabilities such as commercial paper.

Equity at the end of fiscal 2013 increased by ¥28.117 billion from the end of the previous fiscal year to ¥422.987 billion. This increase included a ¥20.058 billion rise in retained earnings.

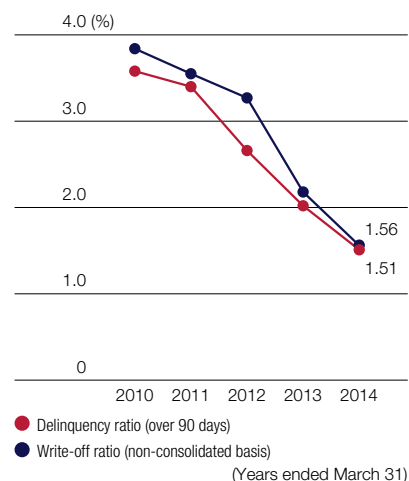
Composition of interest-bearing debt



Total equity and shareholders' equity ratio



Delinquency ratio (over 90 days) and write-off ratio (non-consolidated basis)



VI. CREDIT RISKS

Of total receivables (the balance obtained by adding contingent liabilities to the balance of installment receivables and the balance of lease investment assets on a managed basis), the balance of receivables overdue by more than 90 days totaled ¥43.740 billion (down 21.1% year-on-year). The allowance for uncollectible receivables (current assets) fell to ¥51.677 billion (down 20.4% year-on-year). Consequently, the sufficiency ratio in relation to the balance of receivables overdue by more than 90 days fell to 180.1% from 185.2% at the end of the previous fiscal year.

Comparison of delinquent receivables and the allowance for receivables

	Millions of yen		
	2014	2013	% change
(1) Receivables	1,899,880	1,738,637	9.3
(2) Receivables overdue by more than 90 days	43,740	55,404	(21.1)
(3) Collateralized portion included in (2)	15,043	20,359	(26.1)
(4) Allowance for losses on receivables included in current assets	51,677	64,910	(20.4)
Receivables overdue by more than 90 days as a percentage of receivables [(2) ÷ (1)]	2.3%	3.2%	—
Ratio of allowance of losses on receivables to receivables overdue by more than 90 days [(4) ÷ ((2) - (3))]	180.1%	185.2%	—
(Reference) Receivables overdue by more than 90 days excluding collateralized portion as a percentage of receivables [((2) - (3)) ÷ (1)]	1.5%	2.0%	—

(Year ended March 31)

Changes in the allowance for uncollectible receivables

	Millions of yen		
	2014	2013	% change
Allowance for losses on receivables at the beginning of the year	82,952	97,430	(14.9)
Increase	13,955	17,364	(19.6)
Decrease	34,526	31,842	8.4
Allowance for losses on receivables at the end of the year	62,381	82,952	(24.8)
(Reference) Losses on receivables	3	2	25.7

(Year ended March 31)

Note: The decrease in the 2013 consolidated accounting period includes a ¥1.712 billion partial reversal of the allowance for uncollectible receivables recorded in response to the Great East Japan Earthquake in 2011.

VII. RISK INFORMATION

The following presents an overview of operating, accounting and other issues that exert or could exert a significant influence on investor decisions.

Forward-looking statements are Credit Saison Group estimates as of June 27, 2014.

1. Operating Conditions

The results and financial position in the Credit Saison Group's primary Credit Service, Lease, Finance, Real Estate-related and Entertainment businesses are subject to the influence of domestic economic conditions. Factors contingent upon economic conditions, including worsening of the employment environment, disposable household income or consumer spending accompanying an economic recession, may affect transaction volume and repayment in Group businesses including credit cards, loans, credit guarantees, and real estate mortgage loans, and therefore have the potential to negatively impact Group operating revenues and credit cost.

Small- and medium-sized companies are the principal customer group of the Lease Business. Factors contingent upon economic conditions, including contraction in capital expenditures and deteriorating corporate performance accompanying an economic recession, have the potential to negatively impact operating revenues, losses on uncollectible receivables and other results, as well as the financial position.

2. Changes in Cost of Funds

The Group utilizes interest rate swaps and other means as a hedge against rises in interest rates, in addition to issuing corporate bonds and borrowing from financial institutions to secure stable and fixed funding. Nevertheless, unforeseen changes in financial conditions and a reduction in the Credit Saison Group's credit rating may increase interest rates on funds the Group procures and have the potential to negatively impact operating revenues and other results as well as the financial position. Changes in interest rates on loans and other instruments are impacted by a wide array of considerations. These include changes in the terms of customer contracts and interest rates applicable to other companies in the consumer credit business. The Credit Saison Group may be unable to price its products and services to reflect higher interest rates on the capital it procures, which would have the potential to reduce the Group's interest margin.

3. Competitive Environment

Japan's financial system has undergone deregulation, which has resulted in energetic restructuring of the retail financial services industry in Japan. Industry realignment in the credit card sector, the entry of competitors from other industries and other events have caused competition to intensify. In this changing market, the results and financial position of the Credit Saison Group may be negatively impacted by the occurrence of events such as reduced profitability due to a decrease in fee rates from member stores or changes in the terms of transactions with business partners.

4. Unfavorable Performances Among Primary Alliance Partners

In the credit services business, the Credit Saison Group has agreements, including affinity card issuance and member store contracts, with numerous companies and organizations. Unfavorable performances among these alliance partners has the potential to negatively impact the Credit Saison Group's performance and financial position. For example, the Credit Saison Group acquires many of its new cardmembers through the outlets of alliance partners in the retailing industry. Reduced ability to attract customers or lower sales among these companies may lead to weak cardmember acquisition and sluggish transaction volume, and therefore has the potential to negatively impact the Credit Saison Group's operating revenues.

In addition, the Credit Saison Group has capital relationships with some of its alliance partners. Unfavorable performances among such alliance partners has the potential to incur impairment losses on investment securities in the Credit Saison Group's portfolio.

5. System Operation Problems

The Credit Saison Group relies heavily on computer systems and communication networks in numerous aspects of its main businesses, including the Credit Service business. A number of situations could compromise the Credit Saison Group's sales capabilities, damage its credibility and cause other problems that would have the potential to negatively impact the Credit Saison Group's performance and financial position. These situations include Group and counterparty system inoperability resulting from temporary system overloads due to factors such as system errors or spikes in access caused by Group or counterparty hardware or software problems; breakdowns in communication networks resulting from factors including natural disasters and accidents; and illegal or inappropriate system operation.

6. Leakage of Personal Information and Other Issues

The Credit Saison Group maintains a large volume of personal information concerning its cardmembers and others, and implements appropriate controls throughout the Group. However, if an incident such as leakage or illegal use of this information were to occur, the Group might be subject to administrative guidance, orders, or fines for violation of business process regulations under the Private Information Protection Law. This would damage the Credit Saison Group's credibility and cause other problems that would have the potential to negatively impact the Credit Saison Group's performance and financial position.

7. Regulatory Changes

The Credit Saison Group operates in accordance with current regulations and the risks that result from these regulations. The Group's businesses are subject to the Installment Sales Act, the Money Lending Business Act and other laws. Circumstances arising from future amendments to these laws, or changes or tightening of their interpretation, or new legal restrictions, would have the potential to negatively impact on the Credit Saison Group's operations, performance and financial position.

Moreover, a portion of interest that was higher than the interest rate ceiling set by the Interest Rate Restriction Act can be deemed invalid and may be subject to claims for reimbursement. Credit Saison is booking an allowance for losses on interest repayments in preparation for future claims for reimbursements of

this type, but future regulatory revisions or regulatory trends that unexpectedly expanded such reimbursement claims would have the potential to negatively impact on the Credit Saison Group's performance and financial position.

The type, content and degree of potential regulatory revisions are difficult to predict, and the Credit Saison Group has no control over their potential impact on its operations.

8. Inventories and Impairment Loss of Property and Equipment and Evaluation Losses

A material decline in the fair value of the Credit Saison Group's land and buildings, or a projected decline in operating income in businesses employing such assets that is not deemed to be temporary, will result in impairment losses that have the potential to negatively impact the Credit Saison Group's results and financial position. Moreover, a material decline in the fair value of investment securities and investments and loans to affiliates, or unfavorable performance among investees, has the potential to result in evaluation losses.

9. Natural Disasters, Etc.

Major natural disasters such as earthquakes could cause physical damage to shops and facilities owned by the Credit Saison Group, and personal injury to employees. Such events have the potential to negatively impact the Group's performance and financial position.

VIII. OUTLOOK FOR THE FISCAL YEAR ENDING MARCH 31, 2015

The business environment for the Credit Saison Group is characterized by high share prices and a weak yen, driven by expectations around a more proactive monetary policy and economic measures. This follows on from fiscal 2013, when the modest recovery in the Japanese economy continued, with above-mentioned factors, and corporate performance and individual consumption remaining solid.

On the other hand, the credit card sector continues to face challenging conditions, including changes in the Company's earnings structure arising from such factors as the effects of the revised Money Lending Business Act.

Amid this business environment, Credit Saison will conduct initiatives in the following key areas, in order to lay the foundations for the Company's future business, which will drive continuing growth.

- Expanding cashless settlement services centered on credit cards
- Enhancing fee-based business centering on Internet business
- Promoting non-bank business, including the lease and finance businesses
- Full-scale entry into retail finance in Asia
- Strengthening the credit risk management system and developing leaner business operations
- Enhancing and bolstering corporate governance

Based on these activities, Credit Saison's consolidated earnings forecast for the fiscal year ending March 31, 2015 is for operating revenues of ¥253.0 billion, operating income of ¥34.0 billion, ordinary income of ¥40.0 billion, and net income for the fiscal year of ¥23.0 billion. The Company's non-consolidated earnings forecast is for operating revenues of ¥212.5 billion, operating income of ¥30.5 billion, ordinary income of ¥34.0 billion, and net income for the fiscal year of ¥17.5 billion.

CONSOLIDATED BALANCE SHEET

Credit Saison Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2014

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Current Assets:			
Cash and deposits (Note 11)	¥ 52,742	¥ 57,524	\$ 512,758
Receivables and lease investment assets:			
Accounts receivable—installment (Notes 4, 5, 11, and 26)	1,397,065	1,292,377	13,582,202
Lease investment assets (Notes 5, 10, and 11)	225,334	219,572	2,190,682
Short-term loans receivable (Note 11)	6,480	5,561	62,998
Less: Allowance for doubtful accounts	(51,678)	(64,910)	(502,409)
	1,577,201	1,452,600	15,333,473
Operational investment securities (Notes 11 and 12)	18,980	13,847	184,520
Inventories (Notes 6 and 7)	94,435	90,546	918,091
Deferred tax assets (Note 14)	10,754	10,121	104,546
Prepaid expenses and other current assets (Note 26)	21,588	19,718	209,881
Total current assets	1,775,700	1,644,356	17,263,269
Property and Equipment, at Cost:			
Lease assets (Note 10)	10,053	8,706	97,732
Buildings and improvements (Note 7)	44,289	46,002	430,580
Fixtures and equipment (Note 7)	23,771	25,043	231,102
Total	78,113	79,751	759,414
Less: Accumulated depreciation	(46,883)	(46,139)	(455,798)
Net property and equipment	31,230	33,612	303,616
Land (Note 7)	30,507	30,966	296,592
Construction in progress	1,097	260	10,658
Total property and equipment	62,834	64,838	610,866
Investments and Other Assets:			
Investment securities (Notes 11 and 12)	70,718	56,329	687,521
Investments in unconsolidated subsidiaries and affiliated companies (Note 11)	59,684	53,030	580,240
Long-term loans receivable (Note 11)	11,206	11,207	108,947
Intangible assets	138,941	114,296	1,350,780
Lease deposits	4,966	5,224	48,282
Liquidation business assets (Notes 7 and 18)	104,079	137,956	1,011,847
Deferred tax assets (Note 14)	64,721	68,445	629,218
Others	3,955	4,163	38,445
Less: Allowance for doubtful accounts	(10,704)	(18,042)	(104,064)
Total investments and other assets	447,566	432,608	4,351,216
Total assets	¥ 2,286,100	¥ 2,141,802	\$ 22,225,351

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
LIABILITIES AND EQUITY			
Current Liabilities:			
Notes and accounts payable (Notes 11 and 26)	¥ 273,444	¥ 256,284	\$ 2,658,411
Short-term loans (Notes 9 and 11)	199,160	212,960	1,936,224
Current portion of long-term debt (Notes 5, 9, and 11)	227,729	184,877	2,213,967
Commercial paper (Notes 9 and 11)	115,000	15,000	1,118,024
Current portion of long-term lease obligations (Notes 9 and 11)	1,270	1,941	12,347
Accrued income taxes	11,757	7,744	114,297
Unearned income	6,836	6,278	66,457
Accrued employees' bonuses	2,063	2,084	20,055
Accrued directors' bonuses	148	147	1,438
Allowance for losses on interest repayments	10,437	9,290	101,467
Allowance for losses on collecting gift tickets	167	176	1,631
Accrued expenses and other current liabilities	37,217	39,112	361,827
Total current liabilities	885,228	735,893	8,606,145
Long-Term Liabilities:			
Long-term debt (Notes 5, 9, and 11)	875,377	912,860	8,510,368
Long-term lease obligations (Notes 9 and 11)	2,205	2,218	21,436
Accrued retirement benefits to directors and audit supervisory board members	82	74	805
Allowance for losses on guarantees	4,297	4,210	41,773
Allowance for losses on defect warranties	18	19	175
Allowance for losses on point program	77,391	71,533	752,387
Allowance for losses on interest repayments	9,264	9,745	90,063
Asset retirement obligations	821	854	7,988
Negative goodwill	—	4	—
Others (Note 14)	8,430	9,524	81,958
Total long-term liabilities	977,885	1,011,041	9,506,953
Commitments and Contingent Liabilities (Notes 8 and 20)			
Equity (Note 22):			
Common stock	75,929	75,929	738,182
Capital surplus	84,838	84,838	824,792
Stock acquisition rights	0	0	0
Retained earnings	237,941	217,883	2,313,251
Less: Treasury stock, at cost	(6,123)	(6,119)	(59,532)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	28,054	20,392	272,740
Deferred losses on derivatives under hedge accounting	(1,201)	(1,497)	(11,678)
Total	419,438	391,426	4,077,755
Minority interests	3,549	3,442	34,498
Total equity	422,987	394,868	4,112,253
Total liabilities and equity	¥ 2,286,100	¥ 2,141,802	\$ 22,225,351

CONSOLIDATED STATEMENT OF INCOME

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Operating Revenues (Note 15):			
Income from the credit service business	¥ 188,251	¥ 189,137	\$ 1,830,170
Income from the lease business	14,241	14,409	138,451
Income from the finance business	19,113	17,208	185,819
Income from the real estate-related business	12,606	9,723	122,553
Income from the entertainment business	13,006	13,589	126,441
Financial income	360	339	3,503
Total operating revenues	247,577	244,405	2,406,937
Operating Expenses:			
Selling, general, and administrative expenses (Note 16)	197,852	187,171	1,923,511
Financial costs	13,389	14,922	130,164
Total operating expenses	211,241	202,093	2,053,675
Operating Income	36,336	42,312	353,262
Nonoperating Revenues:			
Gain on sales of property and equipment and intangible assets	2	153	24
Gain on sales of investment securities	1	0	5
Gain on sales of investments in subsidiaries and affiliates	91	—	886
Dividend income	2,550	1,020	24,794
Equity in earnings of equity method-affiliated companies	5,663	7,345	55,057
Other	2,501	2,678	24,305
Total nonoperating revenues	10,808	11,196	105,071
Nonoperating Expenses:			
Loss on devaluation of investment securities	2	173	24
Impairment losses (Note 17)	501	34	4,870
Loss on liquidation business (Note 18)	1,908	26	18,549
Other (Note 13)	730	462	7,091
Total nonoperating expenses	3,141	695	30,534
Nonoperating Revenues, net	7,667	10,501	74,537
Income before Income Taxes and Minority Interests	44,003	52,813	427,799
Income Taxes (Note 14):			
Current	18,094	13,868	175,911
Deferred	226	5,764	2,198
Net Income before Minority Interests	25,683	33,181	249,690
Minority interest in net income	114	411	1,103
Net Income	¥ 25,569	¥ 32,770	\$ 248,587

	Yen		U.S. dollars (Note 2)
	2014	2013	2014
Per Share Data (Notes 3(T) and 24)			
Equity	¥ 2,284.14	¥ 2,131.58	\$ 22.206
Net income, basic	139.24	178.45	1.354
Net income, diluted	139.00	177.75	1.351
Cash dividends	30.00	30.00	0.292

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Net Income before Minority Interests	¥ 25,683	¥ 33,181	\$ 249,690
Other Comprehensive Income (Note 21)			
Unrealized gains on available-for-sale securities	5,207	8,127	50,623
Deferred gains on derivatives under hedge accounting	296	39	2,872
Share of other comprehensive income in affiliated companies	2,455	2,221	23,872
Total other comprehensive income	7,958	10,387	77,367
Comprehensive Income (Note 21)	¥ 33,641	¥ 43,568	\$ 327,057
Comprehensive income attributable to (Note 21):			
Owners of the parent	¥ 33,527	¥ 43,156	\$ 325,954
Minority interests	114	412	1,103

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2014

	Millions of yen										
	Issued number of shares of common stock (thousands)	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income		Total	Minority interests	Total Equity
							Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting			
Balance at March 31, 2012	185,445	¥ 75,929	¥84,838	¥ 0	¥ 189,535	¥ (6,116)	¥ 10,045	¥ (1,536)	¥ 352,695	¥ 3,032	¥ 355,727
Cash dividends					(5,511)				(5,511)		(5,511)
Net income for the year ended March 31, 2013					32,770				32,770		32,770
Increase in treasury stock						(3)			(3)		(3)
Change of scope of equity method					1,089				1,089		1,089
Net changes in the year							10,347	39	10,386	410	10,796
Balance at March 31, 2013	185,445	¥ 75,929	¥84,838	¥ 0	¥ 217,883	¥ (6,119)	¥ 20,392	¥ (1,497)	¥ 391,426	¥ 3,442	¥ 394,868
Cash dividends					(5,511)				(5,511)		(5,511)
Net income for the year ended March 31, 2014					25,569				25,569		25,569
Increase in treasury stock						(5)			(5)		(5)
Decrease in treasury stock			(0)			1			1		1
Net changes in the year							7,662	296	7,958	107	8,065
Balance at March 31, 2014	185,445	¥ 75,929	¥84,838	¥ 0	¥ 237,941	¥ (6,123)	¥ 28,054	¥ (1,201)	¥ 419,438	¥ 3,549	¥ 422,987

	Thousands of U.S. dollars (Note 2)										
	Issued number of shares of common stock (thousands)	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income		Total	Minority interests	Total Equity
							Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting			
Balance at March 31, 2013	185,445	\$738,182	\$824,792	\$ 0	\$ 2,118,245	\$ (59,485)	\$198,246	\$ (14,550)	\$ 3,805,430	\$ 33,464	\$ 3,838,894
Cash dividends					(53,581)				(53,581)		(53,581)
Net income for the year ended March 31, 2014					248,587				248,587		248,587
Increase in treasury stock						(49)			(49)		(49)
Decrease in treasury stock			(0)			2			2		2
Net changes in the year							74,494	2,872	77,366	1,034	78,400
Balance at March 31, 2014	185,445	\$738,182	\$824,792	\$ 0	\$ 2,313,251	\$ (59,532)	\$272,740	\$ (11,678)	\$ 4,077,755	\$ 34,498	\$ 4,112,253

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 44,003	¥ 52,813	\$ 427,799
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Income taxes paid	(14,033)	(15,728)	(136,425)
Depreciation and amortization	12,204	12,859	118,640
Loss on liquidation business	1,908	26	18,549
Decrease in allowance for doubtful accounts	(19,875)	(13,934)	(193,232)
Increase in allowance for losses on point program	5,858	872	56,947
Increase (decrease) in allowance for losses on interest repayments	666	(5,786)	6,473
Increase in allowance for other reserves	65	212	650
Interest and dividend income	(2,813)	(1,331)	(27,346)
Interest expenses	12,291	14,155	119,492
Equity in earnings of equity method-affiliated companies	(5,663)	(7,345)	(55,057)
Foreign currency exchange gain	(67)	(26)	(654)
(Gain) loss on sales of investment securities	(1)	147	(5)
Gain on sales of investments in subsidiaries and affiliates	(91)	—	(886)
Loss on devaluation of investment securities	2	173	24
Impairment losses	501	34	4,870
Loss on disposals of property and equipment and other assets	1,061	683	10,310
(Increase) decrease in operational investment securities	(4,672)	3,705	(45,422)
(Increase) decrease in trade receivables	(104,681)	38,966	(1,017,711)
Increase in lease investment assets	(5,762)	(1,182)	(56,014)
Increase in inventories	(3,889)	(6,973)	(37,803)
(Increase) decrease in other assets	(1,372)	1,464	(13,343)
Interest and dividends received	3,726	2,238	36,229
Interest paid	(12,646)	(14,470)	(122,941)
Increase in notes and accounts payable	17,160	15,334	166,835
Decrease in other liabilities	(3,818)	(1,055)	(37,127)
Other—net	(596)	(78)	(5,795)
Net Cash (Used in) Provided by Operating Activities	(80,534)	75,773	(782,943)
Cash Flows from Investing Activities:			
Payments for purchases of investment securities	(6,781)	(3,924)	(65,926)
Proceeds from sales or redemptions of investment securities (Note 23(C))	611	424	5,939
Proceeds from sales of investment in subsidiaries and affiliates	126	—	1,224
Proceeds from liquidation business	31,867	17,818	309,805
Payments for purchases of property and equipment and other assets	(32,610)	(26,814)	(317,030)
Proceeds from sales of property and equipment and other assets	456	167	4,438
Payments for short- and long-term loans	(1,545)	(240)	(15,020)
Proceeds from short- and long-term loans	36	19	346
Decrease in other assets	165	1,168	1,604
Net Cash Used in Investing Activities	(7,675)	(11,382)	(74,620)
Cash Flows from Financing Activities:			
Decrease in short-term debt	(13,800)	(21,230)	(134,163)
(Increase) decrease in commercial paper	100,000	(17,000)	972,195
Proceeds from long-term debt	146,300	173,989	1,422,322
Repayments of long-term debt	(118,937)	(193,024)	(1,156,300)
Proceeds from issuance of bonds	44,742	49,709	434,984
Repayments of bonds	(30,225)	(10,225)	(293,846)
Payments of payables under securitized account receivables and lease investment assets	(36,770)	(41,689)	(357,472)
Repayments of lease obligations	(2,423)	(1,975)	(23,562)
Proceeds from minority shareholders	—	10	—
Proceeds from sales of treasury stock	1	—	2
Purchases of treasury stock	(5)	(3)	(49)
Cash dividends paid	(5,511)	(5,511)	(53,581)
Cash dividends paid to minority shareholders	(8)	(12)	(70)
Net Cash Provided by (Used in) Financing Activities	83,364	(66,961)	810,460
Translation gain on Cash and Cash Equivalents	67	26	654
Decrease in Cash and Cash Equivalents	(4,778)	(2,544)	(46,449)
Cash and Cash Equivalents at the Beginning of Year	57,457	60,001	558,587
Cash and Cash Equivalents at the End of Year (Note 23(A))	¥ 52,679	¥ 57,457	\$ 512,138

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2014

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Credit Saison Co., Ltd. (the "Company,") and its consolidated subsidiaries (together the "Companies") in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure re-

quirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

2. U.S. DOLLAR AMOUNTS

Japanese yen amounts have been translated into U.S. dollars at the rate of ¥103=US\$1, the approximate exchange rate on March 31, 2014, for the convenience of the reader. These translations

should not be construed as representations that Japanese yen amounts, have been or could be converted into U.S. dollars at that or any other rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF CONSOLIDATION AND ACCOUNTING FOR INVESTMENTS IN AFFILIATED COMPANIES

As of March 31, 2014, the consolidated financial statements include the accounts of the Company and its 18 (18 for 2013) significant subsidiaries.

All significant intercompany balances and transactions and unrealized profit among the Companies, if any, have been eliminated in consolidation. Unconsolidated subsidiaries would have no material effect on the consolidated financial statements of the Companies and have therefore been excluded from consolidation.

Investments in 9 (9 for 2013) significant affiliates are accounted for by the equity method.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost, due to their immaterial effects on the consolidated financial statements of the Companies.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is amortized over a period of 20 years. However, if the amount is not material, it is charged to income when incurred.

(B) INVENTORIES

Inventories are stated at the lower of cost, determined principally by the specific identification method, or net selling value.

Supplies, however, are stated at cost determined by the latest purchase cost method.

(C) FINANCIAL INSTRUMENTS

i. Derivatives

All derivatives are recognized as either assets or liabilities and measured at fair value. Gains or losses on derivative transactions are recognized in the consolidated statements of income, except for derivatives that are designated as "hedging instruments" (see iii. Hedge accounting).

ii. Securities

Securities held by the Companies are classified into four categories:

Trading securities, which are held for the purpose of generating profits on short-term differences in prices, are measured at fair value, with changes in fair value included in profit or loss for the period in which they arise.

Held-to-maturity debt securities, which the Companies intend to hold to maturity with such ability, are reported at amortized cost.

Investments in equity securities issued by unconsolidated

subsidiaries and affiliates are accounted for by the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and affiliates are stated at cost.

Securities not included in the above categories are defined as "available-for-sale securities." Available-for-sale securities that have market prices are measured at fair value, and unrealized gains or losses on these securities are reported as accumulated other comprehensive income in equity at a net-of-tax amount.

Available-for-sale securities that do not have market prices are stated at cost using the moving-average method. Limited liability partnerships for investment business and of other similar partnerships (defined as "securities" by Article 2, Section 2 of the Financial Instruments and Exchange Act) are valued at the net equity equivalents based on the recently available financial statements of the partnership corresponding to the reporting dates of the financial statements defined by the partnership agreements.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates, or available-for-sale securities have declined significantly and such decline in the value is not deemed temporary, those securities are written down to fair value and the resulting loss is included in profit or loss for the period.

iii. Hedge accounting

The derivatives used as hedging instruments by the Companies are interest rate swaps. The related hedged items are bank loans and bonds issued by the Companies.

The Companies use interest rate swaps to manage their exposure to fluctuations in interest rates. The Companies do not enter into derivatives for trading or speculative purposes.

As per the accounting standard for derivative financial instruments, a) all derivatives except those that qualify for hedge accounting are recognized as either assets or liabilities and measured at fair value and gains or losses on derivative transactions are recognized in the consolidated statements of income, and b) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of a 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.

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

(D) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost.

Depreciation of property and equipment is computed principally by the straight-line method over the estimated useful lives of the assets.

Lease assets are depreciated by the straight-line method over their lease term with zero residual value.

(E) LEASE

In March 2007, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008. The Companies applied the revised accounting standard effective April 1, 2008.

(Lessee)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the lessee's financial statements.

(Lessor)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables and that all finance leases that are not deemed to transfer ownership of the leased property to the lessee should be recognized as lease investment assets. In addition, the revised accounting standard permits the value of lease investment assets of leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to take over the appropriate book value (net of accumulated depreciation) of the leased property as of March 31, 2008, and after the adoption of the revised accounting standard, the aggregate amount equivalent to interest is allocated over the lease term based on the straight-line method.

(F) INTANGIBLE ASSETS

Intangible assets are amortized by the straight-line method over the useful lives.

(G) LONG-LIVED ASSETS

The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is 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.

(H) BOND ISSUE COSTS

Bond issue costs are amortized by the straight-line method over the bond term.

(I) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Receivables and lease investment assets are classified into four risk categories: bankrupt, doubtful, substandard, and normal.

The Companies individually provide a specific reserve for bankrupt and doubtful receivables based on the fair value of any underlying collateral.

The Companies collectively provide a general reserve for substandard and normal receivables applying a ratio determined based on the Companies' past credit loss experience.

(J) ACCRUED EMPLOYEES' BONUSES

Accrued employees' bonuses are provided at the estimated amounts that are to be paid for services rendered through the year.

(K) ACCRUED DIRECTORS' BONUSES

Accrued directors' bonuses are maintained at the amount accrued at the end of the fiscal year based on estimated future payments and service period.

(L) ALLOWANCE FOR LOSSES ON COLLECTING GIFT TICKETS

Allowance for losses on collecting gift tickets, etc., issued by the Company takes into account its registration of collected tickets in order to prepare for the possible future use of those tickets.

(M) ALLOWANCE FOR LOSSES ON INTEREST REPAYMENTS

Allowance for losses on interest repayments is provided based on payment experience at the estimated amount required to be refunded upon customers' legal claims.

(N) ACCRUED RETIREMENT BENEFITS TO DIRECTORS AND AUDIT AND SUPERVISORY BOARD MEMBERS

Directors and Audit and Supervisory Board members customarily receive lump-sum payments upon termination of services, subject to shareholders' approval.

Consolidated subsidiaries with such plans accrue retirement benefits at an amount based on the unfunded retirement plan for the Directors and Audit and Supervisory Board members.

(O) ALLOWANCE FOR LOSSES ON GUARANTEES

An allowance for losses on guarantees is provided for potential losses arising from the Companies' guarantee obligations of customers' liabilities (personal loans to individuals from the banks with which the Companies have guarantee service arrangements).

The allowance is provided at an amount determined by applying the ratio of the Companies' loss experience to the balance of guarantees outstanding at year-end.

(P) ALLOWANCE FOR LOSSES ON DEFECT WARRANTIES

Allowance for losses on defect warranties is provided for the potential repair costs on sold real estate due to the Companies' warranty. The allowance is provided at the amount estimated based on the past experience of repair costs.

(Q) ALLOWANCE FOR LOSSES ON POINT PROGRAM

To stimulate card usage, the Company provides cardholders with credit card points that can be exchanged for various commodities and services. Allowance for losses on point program is provided based on estimated usage of card points outstanding at the year-end and exchange experience.

(R) RECOGNITION OF OPERATING REVENUE

The operations of the Companies are mainly composed of the following business areas and the recognition of operating revenues differs for each business.

i. Credit card contracts and personal credit contracts for shopping (The credit service business)

Fees for collection and administrative services to be received from affiliated stores are recognized when payments are received.

Fees from customers are recognized by the interest method or the sum-of-the-digits method.

ii. Loan contracts and guarantee contracts (The finance business)

Fees from customers under loan contracts or guarantee contracts are recognized by the interest method.

iii. Lease contracts (The lease business)

The aggregate amount equivalent to interest is allocated to each period.

(S) INCOME TAXES

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income.

Deferred taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes.

(T) PER SHARE INFORMATION

Basic net income per share is computed by dividing net income available to common shareholders 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 or converted into common stock. Diluted net income per share of common stock assumes full exercise of the stock options at the beginning of the year (or at the time of issuance).

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

(U) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of cash flows comprise cash on hand, demand deposits in banks and highly liquid, short-term investments with a low risk of fluctuation in value that are scheduled to mature within three months of acquisition.

(V) CHANGES IN DESCRIPTION

Prior to April 1, 2013, loss on liquidation business was included in "Other" under the Nonoperating expenses section of the consolidated statement of income. Since during the current fiscal year ended March 31, 2014, the amount increased significantly, such amount is disclosed separately in the Nonoperating expenses section of the consolidated statement of income for the year ended March 31, 2014. The amount included in "Other" for the year ended March 31, 2013, was ¥26 million.

4. ACCOUNTS RECEIVABLE—INSTALLMENT

As of March 31, 2014 and 2013, liquidated receivables were as noted below. The following amounts of accounts receivable generated from liquidation or operational transactions were included in accounts receivable—installment.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Liquidating receivables:			
Single-payment card shopping, etc.	¥ 48,000	¥ 30,000	\$ 466,654
Accounts receivable include:			
Single-payment card shopping, etc.	5,933	3,708	57,676

5. PLEDGED ASSETS

As of March 31, 2014 and 2013, pledged assets and liabilities related to pledged assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Pledged assets:			
Accounts receivable—installment	¥ —	¥ 22,050	\$ —
Lease investment assets	7,494	22,213	72,852
Liabilities related to pledged assets:			
Current portion of long-term debt	7,494	35,715	72,852
Long-term debt	—	8,548	—

6. INVENTORIES

Inventories at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Receivables by purchase	¥ 9,819	¥ 9,304	\$ 95,458
Real estate for sale	83,213	79,903	808,993
Other	1,403	1,339	13,640
Total	¥ 94,435	¥ 90,546	\$ 918,091

7. INVESTMENT PROPERTY

In November 2008, the ASBJ issued ASBJ Statement No. 20, "Accounting Standard for Investment Property and Related Disclosures" and issued ASBJ Guidance No. 23, "Guidance on Accounting Standard for Investment Property and Related Disclosures."

The Companies own certain rental properties (include liquidation business assets,) such as office buildings and land in Tokyo and other areas. The net amount of rental income and operating expenses for those rental properties was ¥4,033 million (\$39,205 thousand) and ¥4,221 million for the fiscal year ended March 31, 2014 and 2013, respectively.

In addition, the carrying amounts, changes in such balances, and market prices of such properties are as follows:

Millions of yen			
Carrying Amount			Fair Value
April 1, 2013	Increase/Decrease	March 31, 2014	March 31, 2014
¥129,420	¥(17,475)	¥111,945	¥127,913

Millions of yen			
Carrying Amount			Fair Value
April 1, 2012	Increase/Decrease	March 31, 2013	March 31, 2013
¥31,228	¥98,192	¥129,420	¥147,648

Thousands of U.S. dollars			
Carrying Amount			Fair Value
April 1, 2013	Increase/Decrease	March 31, 2014	March 31, 2014
\$1,258,217	\$(169,894)	\$1,088,323	\$1,243,560

Notes: 1. Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses, if any.

2. Decrease during the fiscal year ended March 31, 2014, primarily represents a sale.

3. Fair value of properties as of March 31, 2014, is measured by the Companies in accordance with the Real Estate Appraisal Standard.

8. LOAN COMMITMENTS

(A) LENDER

The Companies provide cashing and card loan services that supplement their credit card operations.

The unexercised loans contingent with the loan commitments in these businesses were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Total loan limits	¥ 4,224,510	¥ 4,417,004	\$ 41,070,482
Loan executions	247,044	267,898	2,401,753
	¥ 3,977,466	¥ 4,149,106	\$ 38,668,729

Most of the contracts for the above loan commitments were for cashing services supplementary to credit card services furnished to the Companies' cardholders, such that not all unexecuted loans will be exercised.

(B) BORROWER

The Companies have concluded loan commitment contracts with 5 banks for efficient procurement of working capital.

The portion of the credit line that had not been exercised under these contracts as of March 31, 2014 and 2013, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Total loan limits	¥ 125,000	¥ 125,000	\$ 1,215,244
Loan executions	—	—	—
	¥ 125,000	¥ 125,000	\$ 1,215,244

9. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans are represented principally by 30- to 365-day notes to banks with an average interest rate of 0.49% and 0.66% as of March 31, 2014 and 2013, respectively.

Commercial paper is issued by the Companies with an average interest rate of 0.09% and 0.15% as of March 31, 2014 and 2013, respectively.

Long-term debt and lease obligations as of March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Average 1.13% (2014) and 1.25% (2013) unsecured loans from banks, insurance companies, and other financial institutions, due in installments through 2024	¥ 820,174	¥ 792,811	\$ 7,973,693
0.31% to 2.41% (2014) and 0.38% to 2.41% (2013) bonds, due in installments through 2024	275,438	260,663	2,677,790
Lease obligations ^{*1}	3,475	4,159	33,783
Average 1.37% (2014) and 1.31% (2013) payables on undersecuritized loans ^{*2}	7,494	44,263	72,852
Subtotal	1,106,581	1,101,896	10,758,118
Less: Current portion	(228,999)	(186,818)	(2,226,314)
	¥ 877,582	¥ 915,078	\$ 8,531,804

*1 Because interest is included in lease obligations, presentation of the average interest rate is omitted.

*2 Payables under securitized lease receivables and loans resulting from liquidation.

The aggregate annual maturities of long-term debt subsequent to March 31, 2014, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 206,149	\$ 2,004,173
2017	161,373	1,568,861
2018	120,860	1,174,997
2019	65,114	633,031
2020 and thereafter	324,086	3,150,742

As is customary in Japan, short- and long-term bank loans are made under general agreements that provide that additional security and guarantees for present and future indebtedness will be given upon request of the bank under certain circumstances and that any collateral so furnished will be applicable to all indebtedness to the bank. To date, the Companies have not received any such requests from their banks.

10. LEASE TRANSACTIONS

(A) FINANCE LEASES THAT DO NOT TRANSFER OWNERSHIP (LESSEE)

i. Lease assets

Property and equipment—mainly servers and other equipment

Intangible assets—mainly software used in the credit service business

ii. Depreciation

Depreciation equivalent is computed by the straight-line method under the assumption that the lease term equals the useful life and that there is no residual value.

iii. As discussed in Note 3(E), the Companies account for leases that existed at the transition date (March 31, 2008,) and do not transfer ownership of the leased property to the lessee as operating lease transactions.

Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense, and on an “as if capitalized” basis for the years ended March 31, 2014 and 2013, is as follows:

Pro forma capitalization of leased items

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Building:			
Acquisition cost	¥ 26	¥ 105	\$ 252
Accumulated depreciation	(23)	(94)	(228)
Net leased property value	3	11	24
Other (fixtures and equipment):			
Acquisition cost	74	82	718
Accumulated depreciation	(72)	(67)	(696)
Net leased property value	2	15	22
Total:			
Acquisition cost	100	187	970
Accumulated depreciation	(95)	(161)	(924)
Net leased property value	¥ 5	¥ 26	\$ 46

Obligations under finance leases

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 8	¥24	\$ 82
Due after one year	—	8	—
Total	¥ 8	¥32	\$ 82

Lease payments, depreciation equivalent, and interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Lease payments	¥ 24	¥ 36	\$ 236
Depreciation equivalent	22	31	210
Interest payable equivalent	1	2	7

Depreciation equivalent is computed by the straight-line method over their lease term determined by their useful lives, with zero residual value.

Interest equivalent, which represents the aggregate lease payments less the acquisition cost equivalent, is allocated over the lease term based on the interest method.

(B) FINANCE LEASES THAT DO NOT TRANSFER OWNERSHIP (LESSOR)**i. Lease investment assets**

Lease investment assets at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gross lease receivables	¥ 253,028	¥ 247,673	\$ 2,459,926
Residual value	—	—	—
Unearned interest income	(27,694)	(28,101)	(269,244)
Lease investment assets	¥ 225,334	¥ 219,572	\$ 2,190,682

ii. Collection schedule for the amount of lease payments related to lease investment assets after March 31, 2014 and 2013

	Millions of yen				Thousands of U.S. dollars	
	2014		2013		2014	
	Lease investment assets	Gross lease receivables	Lease investment assets	Gross lease receivables	Lease investment assets	Gross lease receivables
Due within one year	¥ 57,805	¥ 68,544	¥ 57,722	¥ 68,861	\$ 561,976	\$ 666,377
Due within two years and after one year	52,776	60,370	52,285	60,049	513,083	586,913
Due within three years and after two years	45,259	50,176	44,546	49,456	440,004	487,806
Due within four years and after three years	35,033	37,789	33,664	36,380	340,586	367,381
Due within five years and after four years	21,821	23,070	20,622	21,799	212,149	224,293
Due after five years	12,640	13,079	10,733	11,128	122,884	127,156
Total	¥ 225,334	¥ 253,028	¥ 219,572	¥ 247,673	\$ 2,190,682	\$ 2,459,926

iii. The Companies account for the value of lease investment assets that existed at the transition date (March 31, 2008,) and do not transfer ownership of the leased property to the lessee to take over the appropriate book value (net of accumulated depreciation) of the leased property as of March 31, 2008, and after the adoption of the revised accounting standard, the aggregate amount equivalent to interest is allocated over the lease term based on the straight-line method.

As a result, income before income taxes and minority interests as of March 31, 2014 and 2013, increased more than it would have if the revised accounting standard had been retroactively adopted starting from the lease transaction commencement dates as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Income before income taxes and minority interests	¥ 505	¥ 1,253	\$ 4,910

(C) OPERATING LEASES**i. Lessee**

The minimum rental commitments under noncancelable operating leases at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 11	¥ 11	\$ 102
Due after one year	20	20	198
Total	¥ 31	¥ 31	\$ 300

ii. Lessor

The minimum rental commitments under noncancelable operating leases at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 159	¥ 173	\$ 1,543
Due after one year	95	103	931
Total	¥ 254	¥ 276	\$ 2,474

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

THE CONDITIONS OF FINANCIAL INSTRUMENTS

(A) POLICY FOR FINANCIAL INSTRUMENTS

The Companies engage in the credit service business; lease business; finance business, including guarantees and loans businesses; real estate-related business; and entertainment business. To conduct such businesses, the Companies, by observing the market circumstances and adjusting the balance of short- and long-term debt, seek financing through indirect financing, such as bank loans and through direct financing, such as issuance of corporate bonds, commercial paper, and securitized receivables. Through such activities, the Companies hold financial assets and financial liabilities that are mostly accompanied by interest rate risks and the Company conducts asset and liability management (ALM) to prevent disadvantageous effects from such interest rate risks. As part of ALM, the Company also conducts derivative transactions that leverage interest rate swaps, etc.

(B) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The financial assets held by the Companies are mainly accounts receivable - installments from credit card members. The Companies are exposed to credit risk, such as the potential deterioration of the member's repayment situation. As of the end of the current fiscal year, accounts receivable—installment included a large component of receivables related to credit service business and credit, cards members' repayments according to the contract depend on changes of business circumstances including the economic environment surrounding the said business (employment environment in the fallout of the economic recession, household disposable income, and personal consumption).

Also, (operational) investment securities are mainly stocks, bonds, investment trusts, and partnership investments. Such securities are held for the purpose of either trading or business promotion. Each of these securities is exposed to the issuer's credit risks, interest rate fluctuation risks, and market price fluctuation risks.

The Companies are exposed to liquidity risks relating to interest-bearing debt, such as loans, corporate bonds, and commercial paper whereby they may be unable to execute payments of such liabilities on the payment dates in cases, for example, where the Companies are unable to use the market under certain environments, such as a greater-than-expected fluctuations in financial conditions or a downgrading of the Companies' credit rating. Furthermore, the Companies also borrow funds by variable interest loans and although they are exposed to interest fluctuation risks. Those risks are partly mitigated by conducting interest swap transactions.

Among the derivative transactions conducted by the Companies are interest swap transactions conducted as part of ALM. Using these interest swap transactions as the hedge instruments, the Companies apply hedge accounting to interest fluctuation risk related to borrowings that are the hedged item. The hedge is assessed based on the cumulative total of cash flow fluctuations and determined to actually have been highly effective throughout the financial reporting periods for which the hedge is designated.

In addition, the interest rate swaps that qualify for hedge accounting of long-term loans and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

(C) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

(i) Credit risk management

The Companies manage their credit risk in accordance with the Companies' credit risk management rules by ensuring the ongoing soundness of receivables and maintaining a system for credit risk management, including credit limits, management of creditworthiness information, and internal ratings. The Company holds regular Board of Directors' meetings in order to discuss and report matters relating to credit risk management. (Operational) investment securities are managed by periodically ascertaining creditworthiness information and fair values at the ALM committee meetings.

Also, with regard to long-term loans receivable, the relevant departments periodically monitor the credit risk of the obligors. With regard to counterparty risk of derivative transactions, in order to avoid credit risk arising from defaults on contractual obligations, the Company chooses Japanese and overseas banks and securities firms with high creditworthiness as the counterparty to contracts.

(ii) Market risk management

Management of fluctuation risk of interest rates

The Companies manage interest rate fluctuation risks by applying ALM. The rules related to ALM state the details of risk management methods, procedures, and so forth. Based on policies determined at the ALM committee meetings, the Board of Directors ascertains the status of implementation and discusses matters concerning future responses at the meetings. As part of its regular routine, the Treasury & Account Department maintains an overall grasp of the interest rates and terms of financial assets and liabilities and conducts monitoring such as by performing an interest rate gap analysis. When conducting interest rate swap derivative transactions for the purpose of hedging interest rate variable risk, the Companies apply ALM to this also.

Management of fair value fluctuation risk

With regard to financial investment products including, (operational) investment securities, pursuant to ALM policy, in addition to examining each investment project before investment and establishing limit amounts for the investment, continuous monitoring is also conducted for the purpose of mitigating the price fluctuation risk. Moreover, with regard to stock held for the purpose of business promotion, including business and capital tie-ups, the market environment and the financial condition of the transaction counterparty are also monitored through relevant departments.

This information is periodically reported through the relevant departments to the ALM committee meetings and other meetings.

Derivatives

The Treasury & Account Department executes derivative transactions in accordance with internal management regulations set by the Board of Directors, keeping within the scope of the overall transaction framework and hedge ratio approved beforehand by the Board of Directors. The status of the derivative transactions is reported to the Board of Directors on a quarterly basis.

The derivative transactions of consolidated subsidiaries are conducted in accordance with the internal management regulations that have been set by the respective company. During the term of the transactions, the subsidiary reports to the Company on a quarterly basis the status of hedges between the derivative transactions and corresponding assets or liabilities, the counter-

party to contracts, the transaction amounts, the period remaining in the terms, and the transaction fair values.

Quantitative information regarding market risk

The main financial instruments of the Companies exposed to interest rate risk as the main risk are accounts receivable—installment, short-term loans, long-term debt, corporate bonds, securitized receivables, and interest rate swap transactions.

The Companies estimate the impact of a reasonable fluctuation in interest rates on profit and loss a year or so from the end of an accounting period for the purpose of quantitative analysis in managing their variable risk on interest rates. In estimating this impact, the financial assets and financial liabilities subject to the analysis are grouped into subsets of fixed-interest assets and liabilities and variable-interest assets and liabilities. The Companies then calculate the net estimated impact of interest rate fluctuation on variable-interest assets and variable-interest liabilities as the interest rate gap.

As of March 31, 2014 and 2013, the Companies calculated that their income before income taxes and minority interests would decrease by ¥40 million (US\$391 thousand) in 2014 and ¥32 million in 2013 if the benchmark interest rate rises by 1 basis point (0.01 percentage point), and increase by ¥40 million (US\$391 thousand) in 2014 and ¥32 million in 2013 if this interest rate falls by 1 basis point. The impact was calculated holding risk variables other than interest rate constant and in the absence of correlations between the other risk variables and the interest rate. Fluctuations in interest rates greater than those reasonably estimated may result in an impact larger than the aforementioned calculations.

(iii) Liquidity risk management

The Companies manage their liquidity risk by applying ALM. In addition to ensuring fund management is conducted with appropriate timeliness, they ensure a multiplicity of fund procurement methods, secure commitment lines from multiple financial institutions, and maintain a balance of short- and long-term procurement that is adjusted to reflect the current market environment.

(D) SUPPLEMENTARY EXPLANATION RELATING TO FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHERS

The fair value of financial instruments is either an amount based on market prices or, in the case of no market value, the value calculated based on rational grounds. In case of the latter, established assumptions and conditions are adopted. Accordingly, if different assumptions and preconditions are adopted, the calculated amount may also be different. Moreover, with regard to contractual value or notional principal amount that relate to derivative transactions in Note 19, the amount itself does not reflect market risk related to the derivative transaction.

Fair value of financial instruments and others

The following presents the amount presented in the consolidated balance sheets as of March 31, 2014 and 2013, the fair value, and the difference between the carrying amount and fair value. Immaterial amounts in the consolidated balance sheets have been omitted from disclosure.

ASSETS

	Millions of yen				
	2014				
	Carrying amount	Allowance for doubtful accounts	Total	Fair value	Difference
Cash and deposits	¥ 52,742	¥ —	¥ 52,742	¥ 52,742	¥ —
Accounts receivable-installment	1,397,065	(43,559)	1,353,506	1,405,626	52,120
Lease investment assets	225,334	(7,552)	217,782	229,007	11,225
Short-term loans receivable	6,480	(0)	6,480	6,480	—
Operational investment securities	8,722	—	8,722	8,722	—
Investment securities	60,773	—	60,773	60,773	—
Investments in unconsolidated subsidiaries and affiliated companies	6,919	—	6,919	8,734	1,815
Long-term loans receivable	11,206	(0)	11,206	11,206	—

	Millions of yen				
	2013				
	Carrying amount	Allowance for doubtful accounts	Total	Fair value	Difference
Cash and deposits	¥ 57,524	¥ —	¥ 57,524	¥ 57,524	¥ —
Accounts receivable-installment	1,292,377	(54,236)	1,238,141	1,288,865	50,724
Lease investment assets	219,572	(9,461)	210,111	222,568	12,457
Short-term loans receivable	5,561	(431)	5,130	5,130	—
Operational investment securities	8,423	—	8,423	8,423	—
Investment securities	47,268	—	47,268	47,268	—
Investments in unconsolidated subsidiaries and affiliated companies	6,364	—	6,364	8,461	2,097
Long-term loans receivable	11,207	(10)	11,197	11,197	—

	Thousands of U.S. dollars				
	2014				
	Carrying amount	Allowance for doubtful accounts	Total	Fair value	Difference
Cash and deposits	\$ 512,758	\$ —	\$ 512,758	\$ 512,758	\$ —
Accounts receivable—installment	13,582,202	(423,477)	13,158,725	13,665,429	506,704
Lease investment assets	2,190,682	(73,418)	2,117,264	2,226,396	109,132
Short-term loans receivable	62,998	(4)	62,994	62,994	—
Operational investment securities	84,801	—	84,801	84,801	—
Investment securities	590,833	—	590,833	590,833	—
Investments in unconsolidated subsidiaries and affiliated companies	67,262	—	67,262	84,909	17,647
Long-term loans receivable	108,947	(7)	108,940	108,940	—

(A) CASH AND DEPOSITS

For deposits with no maturity, as fair value approximates the carrying value, the carrying value is deemed to be the fair value.

(B) ACCOUNTS RECEIVABLE—INSTALLMENT

Accounts receivable—installment items with variable interest rates have interest rates that reflect the market interest rate in the short term and because the fair value approximates the carrying value provided that the creditworthiness of the obligor does not significantly change after a loan is executed, the carrying value is deemed to be the fair value. The fair value of accounts receivable—installment with fixed interest rates is determined by discounting the cash flow related to the financial assets reflecting credit risk at the risk-free rate. With respect to doubtful claims, because the amount obtained by deducting the current estimated irrecoverable balance from the amount stated in the consolidated balance sheet as of the end of the current year approximates the fair value, this amount is deemed to be the fair value.

Because the fair value of a part of accounts receivable—installment is assumed to approximate the carrying value for reasons such as the estimated repayment period and the interest rate conditions, the carrying value is deemed to be the fair value.

Note that the fair value calculations stated above do not reflect future interest repayments.

(C) LEASE INVESTMENT ASSETS

The fair value of lease investment assets is determined by discounting the cash flows reflecting credit risk at the risk-free rate.

(D) OPERATIONAL INVESTMENT SECURITIES, INVESTMENT SECURITIES AND INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

The fair value of listed stock depends on the listed price on the stock exchange and the fair value of debentures depends on the price disclosed by the listed price on the stock exchange or the price made available by the transacting financial institutions or, in the case of no market value, the value calculated based on rational grounds. The fair value of investment trusts is based on a reference price that has been publicly released. Concerning the investments in investment-limited partnerships or similar associations, the fair value of the association's assets shall be the fair value appraisal in cases where a fair value appraisal of the association's assets is possible and the corresponding equity share of the aforesaid fair value shall be deemed to be the fair value of the investment in the association.

Financial instruments with no market price, such as unlisted stocks, whose fair values cannot be reliably determined, are indicated in the table below and are not included in the fair value disclosure.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
	Carrying amount	Carrying amount	Carrying amount
Unlisted stocks	¥ 9,164	¥ 9,533	\$ 89,088
Investments in unconsolidated subsidiaries and affiliated companies	52,765	46,666	512,978
Other	11,039	4,952	107,319

For notes concerning available-for-sale securities for each holding purpose, refer to Note12, "AVAILABLE-FOR-SALE SECURITIES."

(E) SHORT-TERM LOANS RECEIVABLE

Because short-term loans receivable will be settled within the short term, the fair value approximates the carrying value and the carrying value is deemed to be the fair value.

(F) LONG-TERM LOANS RECEIVABLE

Long-term loans receivable items with variable interest rates have interest rates that reflect the market interest rate in the short-term and because the fair value approximates the carrying value provided that the creditworthiness of the obligor does not significantly change after a loan is executed, the carrying value is deemed to be the fair value. With respect to doubtful claims, because the amount obtained by deducting the current estimated irrecoverable balance from the amount stated in the consolidated balance sheet as of the end of the current year approximates the fair value, this amount is deemed to be the fair value.

LIABILITIES

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Notes and accounts payable	¥ 273,444	¥ 273,444	¥ —	¥ 256,284	¥ 256,284	¥ —	\$ 2,658,411	\$ 2,658,411	\$ —
Short-term loans	199,160	199,160	—	212,960	212,960	—	1,936,224	1,936,224	—
Commercial paper	115,000	115,000	—	15,000	15,000	—	1,118,024	1,118,024	—
Long-term debt:									
Long-term loans payable	820,174	828,819	(8,645)	792,811	802,324	(9,513)	7,973,693	8,057,735	(84,042)
Bonds	275,438	279,637	(4,199)	260,663	265,458	(4,795)	2,677,790	2,718,619	(40,829)
Long-term loans payable on under securitized loans	7,494	7,511	(17)	44,263	44,393	(130)	72,852	73,022	(170)
Lease obligations	3,475	3,475	—	4,159	4,159	—	33,783	33,783	—
Guarantee contracts	—	18,040	18,040	—	14,290	14,290	—	175,380	175,380

(A) NOTES AND ACCOUNTS PAYABLE, SHORT-TERM LOANS, AND COMMERCIAL PAPER

Because these items will be settled within the short term, the fair value approximates the carrying value and the carrying value is deemed to be the fair value.

(B) LONG-TERM LOANS PAYABLE

Because the rate of long-term loans payable at a variable interest rate reflects the market interest rate, long-term loans payable at a variable interest rate are valued considering only the fluctuation of credit spreads. The fair value of long-term loans payable with fixed interest rates is determined by discounting the cash flows related to the debt at rates assumed for the same borrowing.

(C) BONDS

For corporate bonds issued by the Company as public-offering bonds, the fair value is decided by the market price (over-the-counter selling and buying reference statistics for public and corporate bonds decided by the Japan Securities Dealers Association). Private placement bonds issued by the Company are underwritten by the Company's major banks based on negotiated transactions and the fair value of such items is calculated using the same method as for (B) LONG-TERM LOANS PAYABLE.

(D) LONG-TERM LOANS PAYABLE ON UNDERSECURITIZED LOANS

Because the rate of long-term loans payable on under securitized loans with a variable interest rate is not affected by changes in the Companies' creditworthiness, the items are valued at changes in the market interest rate. The fair value of long-term loans payable on undersecuritized loans with a fixed interest rate is determined by discounting the cash flows related to the debt at the rate assumed for the same borrowing.

(E) LEASE OBLIGATIONS

As the fair value of lease obligations approximates the carrying value, the carrying value is deemed to be the fair value.

(F) GUARANTEE CONTRACTS

The fair value of guarantee contracts is determined by discounting the cash flows related to the contracts reflecting credit risk at the risk-free rate.

As of March 31, 2014 and 2013, the guarantee contract amounts of contingent liabilities are ¥230,052 million (US\$2,236,556 thousand) in 2014 and ¥197,334 million in 2013 and the amounts that are recorded as the allowance for losses on guarantees in the consolidated balance sheets are ¥4,297 million (US\$41,773 thousand) in 2014 and ¥4,210 million in 2013.

Note: Maturity analysis for financial assets and securities with contractual maturities subsequent to March 31, 2014, is as follows:

Year ending March 31	Millions of yen					
	2014					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and deposits	¥ 52,742	¥ —	¥ —	¥ —	¥ —	¥ —
Accounts receivable—installment	1,065,368	167,260	49,031	26,535	5,948	17,642
Lease investment assets	57,375	51,914	44,631	34,651	21,665	12,575
Short-term loans receivable	6,480	—	—	—	—	—
Investment securities						
Available-for-sale securities with contractual maturities	723	2,500	2,805	—	2,000	—
Long-term loans receivable	1,041	18	18	18	18	93

Year ending March 31	Thousands of U.S.dollars					
	2014					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and deposits	\$ 512,758	\$ —	\$ —	\$ —	\$ —	\$ —
Accounts receivable—installment	10,357,460	1,626,093	476,678	257,972	57,823	171,511
Lease investment assets	557,803	504,701	433,904	336,872	210,625	122,255
Short-term loans receivable	62,998	—	—	—	—	—
Investment securities						
Available-for-sale securities with contractual maturities	7,026	24,305	27,270	—	19,444	—
Long-term loans receivable	10,124	175	175	175	175	904

¥77,804 million (US\$756,406 thousand) in 2014 of estimated uncollectible amount is not included. Please see Note 9 for annual maturities of long-term debt.

12. AVAILABLE-FOR-SALE SECURITIES

(A) As of March 31, 2014 and 2013, acquisition costs and carrying amounts of available-for-sale securities that have market value are summarized below:

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Balance sheet amount exceeding acquisition cost:									
Equity shares	¥ 28,746	¥ 57,646	¥ 28,900	¥ 24,823	¥ 45,997	¥ 21,174	\$ 279,464	\$ 560,434	\$ 280,970
Other	660	882	222	1,010	1,441	431	6,416	8,575	2,159
Subtotal	29,406	58,528	29,122	25,833	47,438	21,605	285,880	569,009	283,129
Balance sheet amount not exceeding acquisition cost:									
Equity shares	3,243	2,939	(304)	1,247	1,113	(134)	31,531	28,580	(2,951)
Bonds									
Corporate	6,905	6,905	—	5,314	5,314	—	67,130	67,130	—
Other	—	—	—	900	680	(220)	—	—	—
Other	1,123	1,123	—	1,150	1,146	(4)	10,915	10,915	—
Subtotal	11,271	10,967	(304)	8,611	8,253	(358)	109,576	106,625	(2,951)
Total	¥ 40,677	¥ 69,495	¥ 28,818	¥ 34,444	¥ 55,691	¥ 21,247	\$ 395,456	\$ 675,634	\$ 280,178

(B) Proceeds from sales of available-for-sale securities for the years ended March 31, 2014 and 2013, were ¥1,501 million (US\$14,597 thousand) and ¥1,818 million, respectively.

Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥1 million (US\$5 thousand) and ¥254 million (US\$2,466 thousand), respectively, for the year ended March 31, 2014, and ¥61 million and ¥148 million, respectively, for the year ended March 31, 2013.

13. RETIREMENT BENEFIT PLANS

The Company and some of its consolidated subsidiaries have defined contribution plans or prepaid retirement benefit payment plans at the employee's option.

Retirement benefit expenses

Retirement benefit expenses for the years ended March 31, 2014 and 2013, are stated below:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Payments to the defined contribution pension fund, and other items.	¥ 855	¥ 801	\$ 8,314

14. DEFERRED TAX ASSETS AND LIABILITIES

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 38.01% for the years ended March 31, 2014 and 2013.

(A) EFFECTIVE TAX RATE

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 March 31, 2014, is as follows:

	2014
Statutory tax rate	38.01%
Reconciliation:	
Expenses not deductible for tax purposes	0.35
Nontaxable dividend income	(1.15)
Inhabitants' taxes per capita	0.39
Amortization of negative goodwill	(0.12)
Equity in net earnings of affiliated companies	(4.89)
Increase of valuation allowance	6.22
Decrease in deferred tax assets due to tax rate changes	3.43
Other	(0.61)
Effective tax rate	41.63%

A reconciliation for the year ended March 31, 2013, is not provided because the deference between the effective income tax rate of the Companies and the statutory tax rate is less than 5% of the statutory tax rate.

(B) NEW TAX REFORM LAWS

On March 31, 2014, new tax reform laws were enacted in Japan that changed the normal effective statutory tax rate from approximately 38.01% to 35.64% effective for the fiscal years beginning on or after April 1, 2014. The effect of this change was to decrease deferred taxes in the consolidated balance sheet as of March 31, 2014, by ¥1,508 million (US\$14,665 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥1,508 million (\$14,665 thousand).

(C) DEFERRED TAX ASSETS

The tax effects of significant temporary differences and loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Write-downs of inventories	¥ 22,280	¥ 24,194	\$ 216,607
Accumulated impairment losses	2,327	2,481	22,621
Accumulated depreciation expense	1,115	1,047	10,844
Asset retirement obligations	401	416	3,894
Investment securities	4,716	4,715	45,851
Allowance for doubtful accounts	15,565	18,711	151,321
Allowance for losses on interest repayments	7,047	7,108	68,508
Accrued expenses	368	335	3,573
Accrued enterprise taxes	914	703	8,890
Allowance for losses on point program	27,582	25,971	268,151
Allowance for losses on guarantees	1,496	1,538	14,546
Other allowance	893	935	8,679
Long-term unearned revenue	125	301	1,215
Tax effect on investments in subsidiaries to be liquidated	47,394	47,394	460,762
Tax loss carryforwards	50,778	46,164	493,659
Unrealized losses on available-for-sale securities	110	131	1,067
Deferred losses on derivatives under hedge accounting	669	836	6,505
Other	3,475	3,714	33,793
Subtotal	187,255	186,694	1,820,486
Less valuation allowance	(91,942)	(89,413)	(893,863)
Total deferred tax assets	95,313	97,281	926,623
Deferred tax liabilities:			
Capital gains deferred for tax purposes	(304)	(185)	(2,959)
Unrealized gains on available-for-sale securities	(10,730)	(7,868)	(104,314)
Deferred gains on derivatives under hedge accounting	(4)	(7)	(38)
Adjustment account of retirement debt	(312)	(329)	(3,037)
Fair value difference between carrying amount and the tax bases of assets and liability caused by the corporate split	(5,103)	(6,862)	(49,607)
Other	(3,762)	(3,660)	(36,572)
Total deferred tax liabilities	(20,215)	(18,911)	(196,527)
Net deferred tax assets	¥ 75,098	¥ 78,370	\$ 730,096

Net deferred tax assets are presented in the consolidated balance sheets as of March 31, 2014 and 2013, as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current assets	¥ 10,754	¥ 10,121	\$ 104,546
Investment and other assets	64,721	68,445	629,218
Current liabilities - other	—	—	—
Long-term liabilities - other	377	196	3,668

15. OPERATING REVENUES

Operating revenues for the years ended March 31, 2014 and 2013, were composed of the following revenues and expenses:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Income from the credit service business	¥ 188,251	¥ 189,137	\$ 1,830,170
Income from the lease business	14,241	14,409	138,451
Income from the finance business	19,113	17,208	185,819
Real estate-related business:			
Sales	43,626	37,010	424,130
Costs of sales*	31,020	27,287	301,577
Income from the real estate-related business	12,606	9,723	122,553
Entertainment business:			
Sales	71,343	76,574	693,593
Cost of sales	58,337	62,985	567,152
Income from the entertainment business	13,006	13,589	126,441
Financial income	360	339	3,503
Total operating revenues	¥ 247,577	¥ 244,405	\$ 2,406,937

*Cost of sales included write-downs of inventories amounting to ¥1,218 million (US\$11,840 thousand) as of March 31, 2014, and ¥1,205 million as of March 31, 2013.

16. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

For the years ended March 31, 2014 and 2013, selling, general, and administrative expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Advertising expenses	¥ 19,333	¥ 17,263	\$ 187,955
Provision for point program	12,748	7,909	123,936
Provision for allowance for doubtful accounts	10,471	14,235	101,800
Bad debts losses	4	3	35
Provision for losses on interest repayment	10,851	5,730	105,495
Provision for losses on guarantees	3,555	3,162	34,560
Directors' compensations	974	962	9,467
Provision for directors' bonuses	156	159	1,515
Employees' salaries and bonuses	33,543	33,401	326,102
Provision for bonuses	2,063	2,084	20,055
Retirement benefit expenses	855	801	8,315
Commission fee	54,399	52,441	528,867
Depreciation	11,541	12,511	112,203
Other	37,359	36,510	363,206
Total	¥ 197,852	¥ 187,171	\$ 1,923,511

17. IMPAIRMENT LOSS

For the year ended March 31, 2014, the Companies wrote down the book value of amusement facilities and operating facilities from which operating income had deteriorated and was not expected to recover in the short term.

The Companies also wrote down the book value of real estate for lease by considering significant deterioration of profitability due to a decline in current rental rates, adverse changes in market conditions and other factors.

The Companies recorded impairment losses for the year on the following assets:

March 31, 2014		
Asset	Description	Location
Certain amusement facilities	Buildings, Software, Other (Fixtures, equipment, other)	Koshinetsu
Operating facilities	Buildings, Other (Fixtures, equipment, other)	Kanto
Real estate for lease	Buildings, Land, Other (Fixtures, equipment, other)	Kanto region

For the year ended March 31, 2013, the Companies recorded impairment loss amounting to ¥34 million. Due to its insignificance in amount, the details have been omitted.

Accumulated impairment losses were subtracted directly from individual assets.

Impairment loss recognized for the year ended March 31, 2014 was as follows :

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Property and equipment:		
Buildings and improvements	¥ 296	\$ 2,880
Land	193	1,877
Other (Fixtures and equipment, other)	11	103
Investments and other assets:		
Intangible assets	1	10
Total	¥ 501	\$ 4,870

Regarding certain amusement facilities, operating facilities and real estate for lease, the recoverable amount is measured at value in use, and the discount rate use for computation of the present value of future cash flow is 3.0%.

The assets of the Companies are grouped by the operating unit that is able to control income efficiently. However, real estate for lease and idle assets are grouped by the physical unit, and operating facilities and amusement facilities are grouped by site.

18. LIQUIDATION BUSINESS

In connection with the restructuring of the real estate-related business, the Company has classified these operations into continuing business and liquidation business.

Accordingly, the Company has recorded liquidation business assets in investment and other assets, and loss on liquidation business in nonoperating expenses.

Liquidation business assets at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Real estate	¥ 81,127	¥ 97,480	\$ 788,717
Receivables	22,952	40,476	223,130
Total	¥ 104,079	¥ 137,956	\$ 1,011,847

For the years ended March 31, 2014 and 2013, loss on liquidation business consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Income from the sales of real estate	¥ 1,769	¥ 1,678	\$ 17,199
Income from the leases of real estate	2,016	2,186	19,598
Other	(5,693)	(3,890)	(55,346)
Total	¥ (1,908)	¥ (26)	\$ (18,549)

19. DERIVATIVES

(A) Nonhedged derivative transactions as of March 31, 2014 and 2013, are summarized below:

	Millions of yen					
	2014			2013		
	Contractual value or notional principal amount		Unrealized profit (loss)	Contractual value or notional principal amount		Unrealized profit (loss)
Total	Over 1 year	Total		Over 1 year		
Over-the-counter interest rate swaps:						
Floating-rate receipt/fixed-rate payment	¥ 5,500	¥ 5,500	¥ 88	¥ 11,500	¥ 5,500	¥ 89
Total	¥ 5,500	¥ 5,500	¥ 88	¥ 11,500	¥ 5,500	¥ 89
	Thousands of U.S. dollars					
	2014					
	Contractual value or notional principal amount		Unrealized profit (loss)	Contractual value or notional principal amount		Unrealized profit (loss)
	Total	Over 1 year		Total	Over 1 year	
Over-the-counter interest rate swaps:						
Floating-rate receipt/fixed-rate payment	\$ 53,471	\$ 53,471	\$ 860			
Total	\$ 53,471	\$ 53,471	\$ 860			

Note : Fair value is measured at prices and other information presented by financial institutions with which the Companies have concluded derivative agreements.

(B) Hedged derivative transactions as of March 31, 2014 and 2013, are summarized below:

		Millions of yen					
		2014			2013		
Mainly hedged objects		Contractual value or notional principal amount		Fair value	Contractual value or notional principal amount		Fair value
		Total	Over 1 year		Total	Over 1 year	
Interest rate swaps recognized in general rule:							
Floating-rate receipt/fixed-rate payment	long-term debt	¥ 164,200	¥ 104,200	¥ (1,866)	¥ 195,200	¥ 152,200	¥ (2,329)
Interest rate swaps recognized in specific rule:							
Floating-rate receipt/fixed-rate payment	long-term debt	261,165	190,695	(3,548)	249,502	199,530	(5,505)
Fixed-rate receipt/floating-rate payment	long-term debt	5,000	5,000	77	15,000	5,000	94
Total		¥ 430,365	¥ 299,895	¥ (5,337)	¥ 459,702	¥ 356,730	¥ (7,740)

		Thousands of U.S. dollars		
		2014		
Mainly hedged objects		Contractual value or notional principal amount		Fair value
		Total	Over 1 year	
Interest rate swaps recognized in general rule:				
Floating-rate receipt/fixed-rate payment	long-term debt	\$ 1,596,345	\$ 1,013,027	\$ (18,145)
Interest rate swaps recognized in specific rule:				
Floating-rate receipt/fixed-rate payment	long-term debt	2,539,033	1,853,928	(34,488)
Fixed-rate receipt/floating-rate payment	long-term debt	48,610	48,610	745
Total		\$ 4,183,988	\$ 2,915,565	\$ (51,888)

Note : Fair value is measured at prices and other information presented by financial institutions with which the Companies have concluded derivative agreements.

20. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2014, the Companies were contingently liable as credit guarantors for customers borrowing from our alliance banks amounting to ¥225,755 million (US\$2,194,783 thousand).

21. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unrealized gains on available-for-sale securities			
Gains arising during the year	¥ 7,483	¥ 12,507	\$ 72,753
Reclassification adjustments to profit or loss	607	105	5,899
Amount before income tax effect	8,090	12,612	78,652
Income tax effect	(2,883)	(4,485)	(28,029)
Total unrealized gains on available-for-sale securities	5,207	8,127	50,623
Deferred losses on derivatives under hedge accounting			
Losses arising during the year	(380)	(944)	(3,696)
Reclassification adjustments to profit or loss	839	1,005	8,158
Amount before income tax effect	459	61	4,462
Income tax effect	(163)	(22)	(1,590)
Total deferred losses on derivatives under hedge accounting	296	39	2,872
Share of other comprehensive income in affiliated companies			
Gains arising during the year	2,461	2,223	23,930
Reclassification adjustments to profit or loss	(6)	(2)	(58)
Total share of other comprehensive income in affiliated companies	2,455	2,221	23,872
Total other comprehensive income	¥ 7,958	¥ 10,387	\$ 77,367

22. EQUITY

(A) EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act").

The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

i. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, 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.

However, the Company cannot do so because it does not meet 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 Companies Act 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 shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

ii. Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act 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 that was charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act 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 shareholders.

iii. Treasury stock and treasury stock acquisition rights

The Companies Act 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 shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act 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.

(B) COMMON STOCK

The Company has 300,000,000 authorized shares of which 185,444,772 shares as of March 31, 2014, and 185,444,772 shares as of March 31, 2013, were issued.

Type and number of shares issued and treasury stock

	Thousands of shares	
	Issued shares (Common stock)	Treasury stock (Common stock)
Balance at April 1, 2012	185,445	1,812
Number of shares increase	—	1* ¹
Number of shares decrease	—	—
Balance at March 31, 2013	185,445	1,813
Number of shares increase	—	1* ²
Number of shares decrease	—	0* ³
Balance at March 31, 2014	185,445	1,814

Notes: 1. Increase in treasury stock
Acquisition of any number of shares less than a full trading unit: 1 thousand shares
2. Increase in treasury stock
Acquisition of any number of shares less than a full trading unit: 1 thousand shares
3. Detail of decrease
Sales of any number of shares less than a full trading unit: Less than a thousand shares

(C) DIVIDEND

i. Dividend payment

Resolution	Type of share	Total amount	Dividend per share		Record date	Effective date	
			Millions of yen	Thousands of U.S. dollars			Yen
General Meeting of Shareholders on June 26, 2013	Common stock	5,511	53,581	30.00	0.292	March 31, 2013	June 27, 2013

ii. For dividend payments with an effective date in the year ended March 31, 2015, the record date occurred in the year ended March 31, 2014

Resolution	Type of share	Source of payment	Total amount		Dividend per share		Record date	Effective date
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
General Meeting of Shareholders on June 27, 2014, approved	Common stock	Retained earnings	5,511	53,580	30.00	0.292	March 31, 2014	June 30, 2014

23. CASH FLOWS INFORMATION

(A) The balance of cash and cash equivalents as of March 31, 2014 and 2013, is reconciled with the respective consolidated balance sheet items as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Consolidated balance sheet:			
Cash and deposits	¥ 52,742	¥ 57,524	\$ 512,758
Segregated trustee deposits	(63)	(67)	(620)
Cash and cash equivalents at the end of year	¥ 52,679	¥ 57,457	\$ 512,138

(B) Non-cash investing and financing activities as of March 31, 2014 and 2013, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets and liabilities from finance leases recorded in the current fiscal year	¥ 1,681	¥ 1,326	\$ 16,346
Transfer from inventories, accounts receivable—installment, property, and equipment to liquidation business assets with the restructuring of the real estate related business	—	156,340	—
Transfer from inventories to property and equipment	—	10,009	—

(C) DESCRIPTION OF PROCEEDS FROM SALES OR REDEMPTION OF INVESTMENT SECURITIES

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Proceeds from sales of investment securities	¥ 4	¥ 302	\$ 39
Proceeds from distribution of limited liability partnerships and other similar partnerships or return of capital	607	122	5,900
Total proceeds from sales or redemptions of investment securities	¥ 611	¥ 424	\$ 5,939

24. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2013, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted-average shares	EPS	
For the year ended March 31, 2014:				
Basic EPS				
Net income available to common shareholders	¥ 25,569	183,631	¥ 139.24	\$ 1.354
Effect of dilutive securities				
Securities issued by a consolidated subsidiary	(44)			
Diluted EPS				
Net income for computation	25,525	183,631	139.00	1.351
For the year ended March 31, 2013:				
Basic EPS				
Net income available to common shareholders	¥32,770	183,633	¥178.45	
Effect of dilutive securities				
Securities issued by a consolidated subsidiary	(129)			
Diluted EPS				
Net income for computation	32,641	183,633	177.75	

25. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(A) DESCRIPTION OF REPORTABLE SEGMENTS

The Companies' reportable segments are those for which separate financial information is available and regular evaluation by the Board of Directors meeting is performed in order to decide how resources are allocated among the Companies.

The Companies conduct business activities directly with customers based on the services by market and target customer.

Accordingly, Credit Service Business, Lease Business, Finance Business, Real Estate-Related Business, and Entertainment Business comprise the Companies' reporting segments.

The Credit Service Business segment consists of the Companies' core credit card business and various peripheral businesses closely linked with the credit card business.

The Lease Business segment consists mainly of the leasing of office equipment and other assets.

The Finance Business segment consists of the credit guarantee business and other finance-related businesses.

The Real Estate-Related Business segment consists of the real estate business, real estate lease business, and other businesses.

The Entertainment Business segment consists of amusement businesses, mainly indoor recreation facilities.

(B) METHODS OF MEASUREMENT OF THE AMOUNTS OF OPERATING REVENUES, PROFIT, ASSETS, LIABILITIES, AND OTHER ITEMS FOR EACH REPORTABLE SEGMENT

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

For the years ended March 31, 2014 and 2013

(C) INFORMATION ABOUT OPERATING REVENUES, PROFIT, ASSETS, AND OTHER ITEMS IS AS FOLLOWS:

Reportable segment	Operating revenues			Segment profit	Segment assets	Depreciation	Financial costs	Credit cost	Investment in equity method-affiliated companies	Increase in property, plant, and equipment and intangible assets
	Outside customers	Inter segment	Total							
Year ended March 31, 2014										
Credit service	¥ 188,611	¥ 1,068	¥ 189,679	¥ 14,723	¥ 1,570,681	¥ 8,086	¥ 8,197	¥ 18,991	¥ 55,761	¥ 32,359
Lease	14,241	31	14,272	6,025	269,882	229	2,785	2,038	—	189
Finance	19,114	—	19,114	10,071	138,453	148	986	3,804	—	137
Real Estate related	12,605	69	12,674	3,899	288,893	870	1,421	48	—	832
Entertainment	13,006	13	13,019	1,612	18,509	2,716	—	—	2,083	3,394
Total	247,577	1,181	248,758	36,330	2,286,418	12,049	13,389	24,881	57,844	36,911
Reconciliations	—	(1,181)	(1,181)	6	(318)	(4)	—	(0)	—	—
Consolidated	¥ 247,577	¥ —	¥ 247,577	¥ 36,336	¥ 2,286,100	¥ 12,045	¥ 13,389	¥ 24,881	¥ 57,844	¥ 36,911
Year ended March 31, 2013										
Credit service	¥ 189,476	¥ 1,008	¥ 190,484	¥ 24,192	¥ 1,457,586	¥ 8,944	¥ 9,329	¥ 17,140	¥ 49,095	¥ 23,221
Lease	14,409	25	14,434	6,147	255,002	208	3,036	2,153	—	182
Finance	17,208	119	17,327	8,985	95,655	151	1,031	3,812	—	85
Real Estate related	9,723	84	9,807	955	315,355	930	1,634	(50)	—	9,736
Entertainment	13,589	8	13,597	2,104	18,580	2,812	11	—	1,535	3,445
Total	244,405	1,244	245,649	42,383	2,142,178	13,045	15,041	23,055	50,630	36,669
Reconciliations	—	(1,244)	(1,244)	(71)	(376)	(4)	(119)	75	—	—
Consolidated	¥ 244,405	¥ —	¥ 244,405	¥ 42,312	¥ 2,141,802	¥ 13,041	¥ 14,922	¥ 23,130	¥ 50,630	¥ 36,669

Reportable segment	Thousands of U.S. dollars									
	Operating revenues			Segment profit	Segment assets	Depreciation	Financial costs	Credit cost	Investment in equity method-affiliated companies	Increase in property, plant, and equipment and intangible assets
	Outside customers	Inter segment	Total							
Credit service	\$ 1,833,670	\$ 10,387	\$ 1,844,057	\$ 143,139	\$ 15,270,088	\$ 78,605	\$ 79,689	\$ 184,628	\$ 542,102	\$ 314,595
Lease	138,452	301	138,753	58,577	2,623,780	2,225	27,072	19,811	—	1,835
Finance	185,821	—	185,821	97,914	1,346,036	1,442	9,589	36,983	—	1,333
Real Estate related	122,553	667	123,220	37,902	2,808,601	8,460	13,814	467	—	8,088
Entertainment	126,441	126	126,567	15,672	179,945	26,403	—	—	20,254	32,993
Total	2,406,937	11,481	2,418,418	353,204	22,228,450	117,135	130,164	241,889	562,356	358,844
Reconciliations	—	(11,481)	(11,481)	58	(3,099)	(36)	—	(0)	—	—
Consolidated	\$ 2,406,937	\$ —	\$ 2,406,937	\$ 353,262	\$ 22,225,351	\$ 117,099	\$ 130,164	\$ 241,889	\$ 562,356	\$ 358,844

RELATED INFORMATION

(A) INFORMATION BY PRODUCT AND SERVICE

Years ended March 31, 2014 and 2013, were as follows:

The Company omitted this disclosure because the information is similar to the information disclosed under the segment information.

(B) INFORMATION BY GEOGRAPHIC REGION

(i) Operating Revenues

Years ended March 31, 2014 and 2013, were as follows:

The Company omitted this disclosure because operating revenues to external customers within Japan account for more than 90% of operating revenues reported in the consolidated statement of income.

(ii) Tangible Property and Equipment

The Company omitted this disclosure because property and equipment within Japan account for more than 90% of the property and equipment reported in the consolidated balance sheet.

(C) INFORMATION ABOUT MAJOR CUSTOMERS

Years ended March 31, 2014 and 2013, were as follows:

The Company omitted this disclosure because no operating revenues to any specific external customer account for 10% or more of operating revenues reported in the consolidated statement of income.

INFORMATION REGARDING IMPAIRMENT LOSSES ON PROPERTY AND EQUIPMENT

Years ended March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
	Loss on impairment	Loss on impairment	Loss on impairment
Credit service	¥ 3	¥ 27	\$ 29
Lease	—	—	—
Finance	—	—	—
Real Estate related	382	—	3,710
Entertainment	116	7	1,131
Total	501	34	4,870
Reconciliations	—	—	—
Consolidated	¥ 501	¥ 34	\$ 4,870

INFORMATION REGARDING AMORTIZATION OF GOODWILL AND UNAMORTIZED BALANCE OF GOODWILL

Years ended March 31, 2014 and 2013, were as follows:

There was no significant amortization of goodwill or unamortized balance of goodwill.

INFORMATION REGARDING GAINS ARISING FROM NEGATIVE GOODWILL

Years ended March 31, 2014 and 2013, were as follows:

There were no significant gains from negative goodwill.

26. RELATED PARTY DISCLOSURES

Transactions and balances of the Company with its affiliated companies for the years ended March 31 2014 and 2013, were as follows:

UC Card Co., Ltd.	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Transactions:			
Volume of new contracts	¥ 1,133,813	¥ 1,089,100	\$ 11,022,872
Balances:			
Accounts payable	82,300	68,322	800,115
Prepaid expenses and other assets (other receivable)	7,380	6,178	71,746

Seven CS Card Service Co., Ltd.	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Transactions:			
Volume of new contracts	¥ 732,740	¥ 703,228	\$ 7,123,668
Balances:			
Accounts receivable—installment	56,728	43,594	551,503

Transaction terms and decision-making policy for the transaction terms:

1. Transaction amounts exclude consumption tax, among others.
2. Commissions in the recovery of accounts receivable—installment and from member store liquidations are determined based on market prices and other factors.

27. SUBSEQUENT EVENT

There is no subsequent event.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
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Minato-ku, Tokyo 108-6221
Japan
Tel:+81 (3) 6720 8200
Fax:+81 (3) 6720 8205
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Credit Saison Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Credit Saison Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Credit Saison Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 27, 2014

Member of
Deloitte Touche Tohmatsu Limited






CORPORATE HISTORY



©J.LEAGUE PHOTOS
Starting players in the Men's National Team playing Cyprus in the KIRIN CHALLENGE CUP 2014 (May 29, 2014)



Credit Saison is a supporter of Japanese national soccer teams.

- | | | | |
|------|------|---|---|
| 1951 | May | Established as a retailer specializing in installment sales. | |
| 1968 | Jun. | Listed on the First Section of the Tokyo Stock Exchange. | |
| 1976 | Mar. | The Seibu Department Stores, Ltd. and the Company established a shareholding relationship, develop a consumer credit system for the Saison Group. | |
| 1980 | Aug. | The Company's name was changed from Midoriya Department Stores to Seibu Credit Co., Ltd. | |
| 1982 | Aug. | Credit Saison began to build a nationwide network of Saison Counters to process Seibu Card issues, and to install automated cash dispensers.
Started the lease business. | |
| 1983 | Mar. | Seibu Card name changed to SAISON CARD. | |
| 1985 | May | Started credit guarantee business. | |
| 1988 | Jul. | Developed an international credit card with no membership fees through a tie-up with Visa and MasterCard. |  |
| 1989 | Oct. | Company name changed from Seibu Credit Co., Ltd. to Credit Saison Co., Ltd. | |
| 1991 | Jan. | Affinity card business started. | |
| 1992 | Apr. | Credit Saison began to issue Saison Postal Savings Cards, the first cards in Japan to support signature-less transactions (in Seiyu food outlets). | |
| 1995 | Jun. | Saison JCB Card issued in cooperation with JCB Co., Ltd. |  |
| 1997 | Oct. | SAISON American Express® Card issued through an affiliation with AMERICAN EXPRESS®. |  |
| 1999 | Sep. | Two combined credit/cash cards issued with regional banks, Shogin Saison cards and Suruga Saison card. | |
| 2000 | Aug. | "Net Answer," an Internet service, started. | |
| 2001 | Mar. | Nominated for inclusion in the Nikkei Stock Average (Nikkei 225). | |
| | Nov. | Supporting company contract for the Japan national soccer team concluded. | |
| 2002 | Feb. | Shares of Saison Life Insurance Co., Ltd. transferred to GE Edison Life Insurance Co., Ltd. (currently Gibraltar Life Insurance Co., Ltd.) | |
| | | Eikyufumetsu Points, which never expire, started. |  |
| 2003 | Jan. | Began using SAISON CARD EXPRESS for speedy online card issuance. | |
| | Aug. | Agreement reached on a comprehensive alliance with the card division of Idemitsu Kosan Co., Ltd. (Idemitsu Card mydoplus issued in April 2004). | |
| | Sep. | Super Value Plus, an insurance product exclusively for cardmembers, issued through a business alliance between Credit Saison, Saison Automobile and Fire Insurance Co., Ltd. and Sompo Japan Insurance Inc. | |
| 2004 | Feb. | Decision made to form a strategic equity and business tie-up with Resona Holdings, Inc. (Resona Card+S (Resona Card Saison) was issued in October 2004). | |
| | Apr. | Basic agreement reached with Takashimaya Company, Limited on a strategic alliance in the credit card business. (TAKASHIMAYA Saison Card issued in September 2004). | |
| | Aug. | Basic agreement on forming a strategic alliance in the credit card business concluded with the Mizuho Financial Group, Inc., Mizuho Bank, Ltd. and UC CARD Co., Ltd. | |
| 2005 | Apr. | New credit center Ubiquitous started operation.
Mizuho Mileage Club Card Saison issued. | |
| | Oct. | Saison Platinum American Express® Card issued. | |
| | Dec. | Credit Saison acquired additional shares of Resona Card Co., Ltd., making this company an equity-method affiliate. | |
| 2006 | Jan. | Credit Saison merged with UC Card Co., Ltd. (card issuance business). |  |
| | Mar. | Saison Card Loan issued. | |
| | Jun. | Comprehensive alliance formed with Yamada Denki Co., Ltd. in the credit card business (Yamada LABI Card launched in July of the same year). | |

	Jul.	Agreements to form a business alliance with The Shizuoka Bank, Ltd. (Shizugin Saison Card Co., Ltd. established in October 2006 and ALL-S Card issued in April 2007).
	Oct./ Nov.	Eikyufumetsu.com points exchange website launched. 
		JPN COLLECTION SERVICE CO., LTD. listed on the Hercules Section of the Osaka Securities Exchange.
		Shareholder agreement signed with Daiwa House Industry Co., Ltd. and joint venture established (Heart One Card issued in May 2007).
2007	Mar.	Saison Asset Management Co., Ltd. launched own investment trusts.
		Agreement for comprehensive alliance with Yamaguchi Financial Group, Inc. (YM Saison Card issued in October 2007).
	Jun.	Maximum interest rate for cash advances reduced to 18%.
	Oct.	Established Qubitous Co., Ltd., the industry's first comprehensive processing service specialist. (Qubitous was made a consolidated subsidiary in April 2008). Changed the UC Card point system to Eikyufumetsu points.
2008	Jun.	Rental business launched (commencement of home appliance rental in an alliance with Yamada Denki).
	Sep.	Absorbed LAWSON CS Card, Inc. by merger.
	Oct.	Launched new credit operation center "Kansai Ubiquitous."
2009	Mar.	Started handling Flat 35 loans.
	Oct.	Conducted the <i>MachiCard Festa</i> regional revitalization campaign in Ikebukuro, Tokyo.
2010	Mar.	Basic agreement reached on comprehensive business alliance with SEVEN & i FINANCIAL GROUP CO., LTD. (Apr. 2011, Sogo & Seibu Card business was split off into a new joint venture).
	Apr.	Started operation of Akagi Nature Park.
	Jun.	Strengthened alliance with AMERICAN EXPRESS and started the four-type card lineup. 
	Sep.	Formed partnership with Walmart Japan Holdings G.K., and began to accept applications for Walmart Card Saison.
2011	Jul.	Issued NEO MONEY, a prepaid card exclusively for use by Japanese travelers visiting other countries.
	Aug.	Tie-up with China UnionPay for affiliated store operations in Japan.
	Nov.	Started the first use of Eikyufumetsu points for net shopping in the industry
2012	Apr.	Started handling "Flat 35 Plus" mortgage loan packages.
	Jun.	Established a representative office in Hanoi, Vietnam.
2013	Jan.	Started handling Saison Asset Formation Loans.
	Apr.	Established a local subsidiary in Vietnam to conduct consulting business.
		Issued COCOKARA CLUB CARD, Japan's first prepaid card that can be used at real stores. 
		Entered alliance with Coiney, Inc. on smartphone settlements. 
	Jun.	Started Saison CLO, a cardmember referral service linked to card settlement.
	Aug.	Strengthened a business alliance with Concur, which provides expense management solutions.
2014	Feb.	Began to accept applications for Mitsui Shopping Park Card Saison, which made the point system of the Mitsui Fudosan Group a common service.
	Apr.	Opened a representative office in Jakarta, Indonesia.
	May	Established a local subsidiary in Singapore.



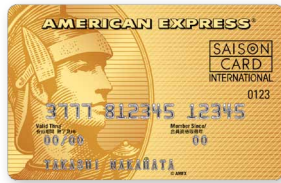
© J.LEAGUE PHOTOS
Starting players in the NADESHIKO JAPAN Women's National Team playing New Zealand Women's National Football Team in the WORLD MATCH (May 8, 2014)

ISSUED CARDS—EXAMPLES

Premium Cards



SAISON Platinum
American Express® Card



SAISON Gold
American Express® Card



SAISON Blue
American Express® Card



SAISON Pearl
American Express® Card

Main Retail Affiliate Cards



Walmart Card SAISON
American Express® Card
(Seiyu G.K. Walmart Japan Holdings G.K.)



PARCO Card
(PARCO CO., LTD.)



Mitsui Shopping Park Card Saison
(Mitsui Fudosan Co., Ltd. and Mitsui Fudosan
Retail Management Co., Ltd.)



MUJI Card
(Ryohin Keikaku Co., Ltd.)



TAKASHIMAYA SAISON Card
(Takashimaya Company, Limited)



YAMADA LABI ANA MILEAGE
CLUB Card SAISON American
Express® Card
(Yamada Denki Co., Ltd. and All Nippon
Airways Co., Ltd.)



JMB LAWSON Ponta Card Visa
(LAWSON, INC. and Japan Airlines Co., Ltd.)



JQ CARD Saison
(Kyushu Railway Company)

MAJOR BUSINESS SALES BASED AND CUSTOMER SERVICE CENTERS (As of June 30, 2014)

Head Office

52F Sunshine 60 Bldg., 1-1, Higashi-Ikebukuro
3-chome, Toshima-ku, Tokyo 170-6073, Japan

Hokkaido Branch

3F Sapporo Center Bldg., 2-2, Kita-5-jo Nishi
6-chome, Chuo-ku, Sapporo City, Hokkaido 060-
0005, Japan

[Counter]

SEIYU: Teine, Nishimachi
PARCO: Sapporo
Mitsui Outlet Park: Sapporo Kitahiroshima
Sapporo Factory

Tohoku Branch

7F Sendai Shogin Bldg., 1-24, Chuo 3-chome,
Aoba-ku, Sendai City, Miyagi 980-0021, Japan

[Counter]

THE MALL: Sendai Nagamachi, Koriyama
PARCO: Sendai
Mitsui Outlet Park: Sendai Port
Kawatoku
Sakurano Department store: Aomori, Sendai

Kitakanto Branch

3F ORE Omiya Bldg., 114-1, Miyacho 1-chome,
Omiya-ku, Saitama City, Saitama 330-0802, Japan

[Counter]

THE MALL Mizuho 16
SEIYU: Kotesashi, Higashimatsuyama
PARCO: Utsunomiya, Shintokorozawa, Matumoto,
Urawa
Takashimaya: Omiya, Takasaki
Mitsui Outlet Park: Iruma
Mitsui Shopping Park: LaLa Garden KASUKABE
SMARK
Maruhiro Department Store: Kawagoe, Iruma,
Ageo, atre MARUHIRO
cocoon Shintoshin

Higashikanto Branch

2F KDX Funabashi Bldg., 11-5, Honcho 7-chome,
Funabashi City, Chiba 273-0005, Japan

[Counter]

SEIYU: Urayasu, Tokiwadaira
PARCO: Tsudanuma, Chiba
Takashimaya: Kashiwa
Mitsui Outlet Park: Kisarazu, Makuhari
Mitsui Shopping Park: LaLaport KASHIWANOHA,
LaLaport SHIN MISATO, LaLaport TOKYO-BAY

Tokyo Branch

2F Otowa NS Bldg., 10-2, Otowa 2-chome,
Bunkyo-ku, Tokyo 112-0013, Japan

[Counter]

LIVIN: OZ Oizumi, Kinshicho, Hikarigaoka, Tanashi
SEIYU: Ogikubo, Nerima, Sangenjaya, Sugamo,
Narimasu, Kabe, Kiyose, Fussa
PARCO: Ikebukuro, Shibuya, Kichijoji, Chofu,
Hibarigaoka
Takashimaya: Nihonbashi, Shinjuku, Tamagawa,
Tachikawa
Mitsui Outlet Park: Tama Minami Osawa
Mitsui Shopping Park: LaLaport TOYOSU
Tokyo Midtown
ARCAKIT KINSHICHO

Kanagawa Branch

3F Nisso Dai-5 Bldg., 10-39, Kita-saiwai
2-chome, Nishi-ku, Yokohama City, Kanagawa
220-0004, Japan

[Counter]

LIVIN: Yokosuka
SEIYU: Ofuna, Tsurumi, Futamatagawa, Machida
Takashimaya: Yokohama, Konandai
Mitsui Outlet Park: Yokohama Bayside
Mitsui Shopping Park: LaLaport YOKOHAMA,
LAZONA Kawasaki Plaza, Northport Mall

Airline and Railway Affiliate Cards



SEIBU PRINCE CLUB Card Saison
(SEIBU HOLDINGS INC.)



MileagePlus SAISON Card
(United Airlines, Inc.)



Tokyo Metro To Me CARD
(Tokyo Metro Co., Ltd.)



JAF SAISON Card
(Japan Automobile Federation)

Other Affiliate Cards



MIZUHO Mileage Club Card Saison
(Mizuho Bank, Ltd.)



SoftBank Card
(SoftBank Mobile Corp.)

Social Contribution Cards



JAPAN Card Saison
(Japan Football Association)



Japan Leukemia Research Fund
Card Saison
(Japan Leukemia Research Fund)

Non-affiliate Cards (Proper Credit Cards)



SAISON CARD International



UC Card

Prepaid Cards



NEO MONEY



COCOKARA CLUB CARD

Tokai Branch

4F NOF Nagoya Yanagibashi Bldg., 16-28,
Meieki-minami 1-chome, Nakamura-ku, Nagoya
City, Aichi 450-0003, Japan

[Counter]

THE MALL: Kasugai, Anjo
PARCO: Nagoya, Shizuoka
Takashimaya: Gifu, JR Nagoya
Mitsui Outlet Park: Jazz Dream Nagashima
Mitsui Shopping Park: LaLaport IWATA

Kansai Branch

4F Kansai Ubiquitous Bldg., 12-11, Minamisenba
1-chome, Chuo-ku, Osaka City, Osaka 542-0081

[Counter]

THE MALL: Himeji
SEIYU: Minakuchi
PARCO: Otsu
Takashimaya: Osaka, Sakai, Senboku,
Wakayama, Kyoto, Rakusai
Mitsui Outlet Park: Osaka Tsurumi, Shiga Ryuo,
Marine Pia Kobe
Mitsui Shopping Park: LaLaport KOSHEN
MEITETSU M'ZA

Chushikoku Branch

5F Otemachi Center Bldg., 8-5, Otemachi
2-chome, Naka-ku, Hiroshima City, Hiroshima
730-0051, Japan

[Counter]

THE MALL: Shunan
PARCO: Hiroshima
Takashimaya: Okayama, Yonago
Mitsui Outlet Park: Kurashiki
Mitsui Shopping Park: ALPARK

Kyushu Branch

9F Kyukan Hakata Ekimae Bldg., 19-27, Hakata-
ekimae 2-chome, Hakata-ku, Fukuoka City,
Fukuoka 812-0011, Japan

[Counter]

THE MALL: Kokura, Kasuga
PARCO: Fukuoka, Kumamoto
RYUBO Kumoji
AMU PLAZA: Nagasaki, Kagoshima, Kokura,
Hakata
YAMAKATAYA: Kagoshima, Miyazaki

Shanghai, China

**Credit Saison
(Shanghai) Co., Ltd.**

No. 909, 9F, No. 409-459
Landmark East Nanjing Rd.
Shanghai, China

Hanoi, Vietnam

**Vietnam Saison Consulting
Company Limited**

12th Floor, CDC Building,
25 Le Dai Hanh, Hai Ba Trung,
Hanoi, Vietnam

Singapore

**Credit Saison
Asia Pacific Pte. Ltd.**

60 Robinson Road BEA Building
Singapore 068892










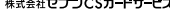










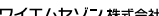

Jakarta, Indonesia

**Credit Saison Co., Ltd.
Indonesia Representative Office**

Tempo Scan Tower Jl.HR Rasunna
Said Kav.3-4 Jakarta 12950, Indonesia

LIST OF AFFILIATED COMPANIES

Our affiliated companies conduct business in such areas as credit services, finance, real estate-related businesses, and entertainment, each of which is directly connected to customers.

Consolidated Companies			
 Atrium Co., Ltd. Real estate liquidation, loan servicing	 Qubitous Co., Ltd. Credit card processing services	 Concerto Inc. Amusement business, real estate rental business, membership club management	
 Saison Fundex Corporation Personal loan business, real estate financing	 JPN Holdings Co., Ltd. Loan servicing, temporary staffing, nursery services		
Equity Method Affiliated Companies			
 Iidemitsu Credit Co., Ltd. Credit card business	 Entertainment Plus Inc. Tickets sale	 Shizugin Saison Card Co., Ltd. Credit card business	
 Saison Information Systems Co., Ltd. System building and operation business	 Seven CS Card Service Co., Ltd. Credit card business	 Takashimaya Credit Co., Ltd. Credit card business	
 Daiwa House Financial Co., Ltd. Credit card business	 UC Card Co., Ltd. Affiliated merchant-related business	 Resona Card Co., Ltd. Credit card business	
Other Affiliated Companies			
 AIR Co., Ltd. Cleaning, security, property maintenance services	 THOROUGHbred CLUB SAISON Joint horse race ownership club	 SAISON INSURANCE セゾン自動車火災 Non-life insurance	
 SAISON ASSET MANAGEMENT CO., LTD. セゾン投信 Setting, management, and sales of investment trust	 Saison Insurance Service Inc. 株式会社セゾン保険サービス Life/Non-life insurance agency business	 YAMADA Yamada Financial Co., Ltd. Credit card business	
 YM Saison Co., Ltd. ワイエムセゾン 株式会社 Product planning and development of credit cards, etc., planning of cardmember enrollment activities	 RHSJ ENTERPRIZES CO., LTD. enterprises Horticultural business		

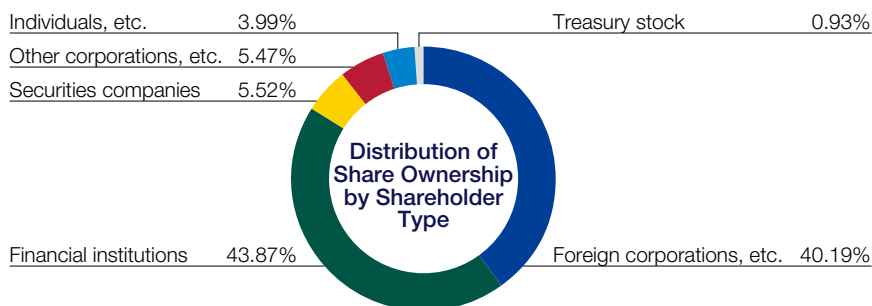
STOCK INFORMATION (As of March 31, 2014)

Common Stock Authorized	300,000 thousand shares
Common Stock Outstanding	185,444 thousand shares
Number of Shareholders	13,150

Major Shareholders (Top 10)

Name	Investment in the Company	
	Number of Shares (thousand)	Ownership Percentage (%)
Mizuho Bank Ltd.	24,768	13.49%
The Master Trust Bank of Japan Ltd. (trust account)	20,598	11.22%
Japan Trustee Service Bank Ltd. (trust account)	11,307	6.16%
STATE STREET BANK AND TRUST COMPANY	8,162	4.45%
BNP Paribas Securities (Japan) Limited	3,500	1.91%
THE CHASE MANHATTAN BANK 385036	3,078	1.68%
THE BANK OF NEW YORK MELLON SA/NV 10	2,976	1.62%
STATE STREET BANK AND TRUST COMPANY 505017	2,630	1.43%
Trust & Custody Services Bank, Ltd. (Security Invest Trust Account)	2,596	1.41%
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	2,242	1.22%

* The ownership percentage is calculated based on the number of shares outstanding excluding treasury shares (1,735,974 shares)



CORPORATE INFORMATION (As of March 31, 2014)

CREDIT SAISON CO., LTD.

Incorporated	May 1, 1951
Paid-in Capital	¥75,929 million
Number of Employees	2,007 Average Number of Non-regular Employees: 1,457 (in 7.75 hours/day equivalent)
Major Businesses	<ul style="list-style-type: none"> • Credit Service Business • Lease Business • Finance Business • Real Estate-Related Business • Entertainment Business
Head Office	52F Sunshine 60 Bldg., 1-1, Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo 170-6073, Japan Telephone: 81-3-3988-2111 http://corporate.saisoncard.co.jp/en/

Closing of Accounts	March 31
Stock Listing	Tokyo Stock Exchange, First Section
Ticker No.	8253
Independent Auditor	Deloitte Touche Tohmatsu LLC
Transfer Agent	Sumitomo Mitsui Trust Bank Limited. Stock Transfer Agency Business Department

Forward-looking Statements

This annual report contains discussions including management plans, projections, strategies and estimates that are not historical facts. Projections of future performance are based on management extrapolations from current data, but actual future performance may differ materially from projections.



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CREDIT SAISON CO., LTD.

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