Winning is Good.

CREDIT SAISON CO., LTD. | Annual Report 2006


Realize your dreams
Realize

CONTENTS

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To publicize SAISON Permanent Points ("*Eikyufumetsu Point*") in 2004 and 2005, Credit Saison ran "The Giant Swing," a TV commercial with an extraordinary impact that featured an elderly man performing on the horizontal bars. As a supporter of the Japanese soccer team, Credit Saison is emphasizing the concepts of "international," "number one" and "soccer" in 2006 as its spreads its corporate message with the catch phrase *Realize your dreams*. In addition, our new TV commercial features Ronaldinho, a soccer player who embodies these three concepts, to represent Credit Saison's commitment to becoming the true number-one company in the credit card industry.

Toward 2007 — *Realize your dreams*

Credit Saison, as a leading company in the service industry, has established a card business philosophy for the new era and realized a number of dreams to be the Number-One Card Issuer.

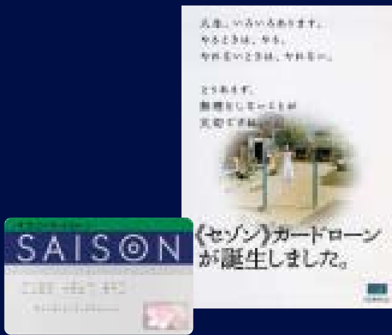
Our route happens to overlap the brilliant path of Ronaldinho, one of the best football players in the world. Born and raised in a disadvantaged environment, he started to kick a soccer ball when he was two years old; was selected as a member of the Brazilian team at fourteen, and in the 2002 FIFA World Cup™ of which we still have fresh memories, he played as a member of the Brazil A team, contributed to the team's victory and received the highest praise and evaluation. Now, he plays for and leads FC Barcelona, the leading club in the Spanish League where top-class players of the world compete with each other. His unpredictable, fantastic and wonderful plays as well as his cheerful personality capture the eyes and hearts of people throughout the world and continue to fascinate them.

Merged with UC CARD Co., Ltd. (card issuance business). "New Credit Saison" created with the combined membership of the two brands - "SAISON CARD" and UC Card - totaling more than 22 million (January 2006).

Started issuing "Mizuho Mileage Club Card SAISON," a credit card integrated with the ATM card of Mizuho Bank, Ltd. (April 2005).

Started full-scale operations of "Ubiquitous," a state-of-the-art credit center that combines hardware (operational functions) and software (human capabilities) (April 2005).

Started approaching new customer segments and issuing "SAISON Platinum American Express Card," a premium card with enhanced Travel and Entertainment and a higher status (September 2005).

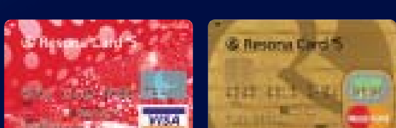


As a new strategic financial product in retail finance, started issuing "SAISON Loan Card," a card intended exclusively for loans (March 2006).

Reached agreement to raise our ownership percentage in Takashimaya Credit Co., Ltd. and provide commissioned processing services for "TAKASHIMAYA CARD" (July 2006).

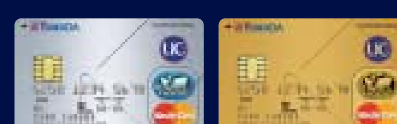
Reached agreement with Shizuoka Bank, Ltd. to form a business alliance in the area of retail finance (July 2006).

Realize



Strengthened ties with Resona Group. Raised our ownership percentage in Resona Card Co., Ltd. to make it an equity affiliate of Credit Saison (December 2005).

Atrium Co., Ltd., a consolidated subsidiary, listed its shares on JASDAQ (March 2006).



Formed a comprehensive alliance with Yamada Denki Co., Ltd. in the credit card business. Established Yamada Financial Co., Ltd. through joint investment with Yamada Denki and started issuing "Yamada LABI Card" (June 2006).

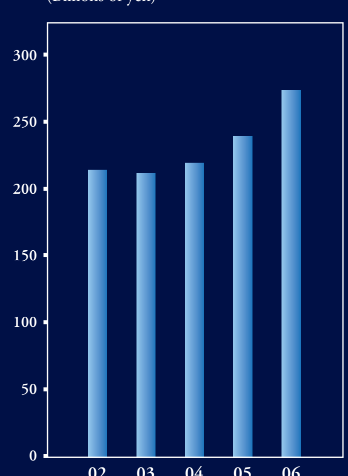
Financial Highlights

CREDIT SAISON CO., LTD. and Consolidated Subsidiaries
As of and for the years ended March 31

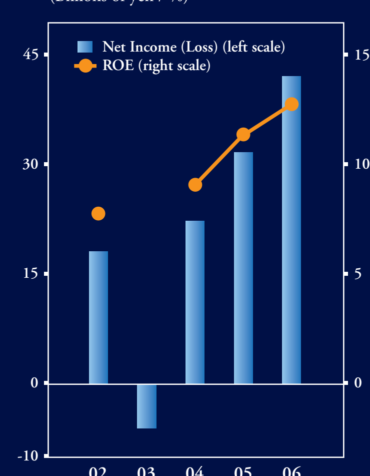
	Millions of yen			% change	Thousands of U.S. dollars (Note 3)
	2006	2005	2004	**2006**/2005	**2006**
Consolidated:					
Operating revenues (Note 1)	**¥ 274,666**	¥ 240,385	¥ 220,332	14.3	**$ 2,338,182**
Selling, general and administrative expenses	**193,126**	172,024	156,502	12.3	**1,644,042**
Financial cost	**11,965**	9,771	9,825	22.5	**101,857**
Operating income	**69,575**	58,590	54,005	18.7	**592,283**
Net income	**42,220**	31,818	22,420	32.7	**359,409**
Total shareholders' equity (Note 2)	**360,717**	301,310	258,253	19.7	**3,070,718**
Total assets	**2,062,735**	1,512,949	1,352,710	36.3	**17,559,675**
Return on shareholders' equity (ROE) (%)	**12.8**	11.4	9.1		
Return on assets (ROA) (%)	**2.4**	2.2	1.7		
Shareholders' equity ratio (%)	**17.5**	19.9	19.1		
Per share data (in yen and U.S dollars) (Note 2)**:**					
Net income per share	**237.29**	185.00	130.55	28.3	**2.02**
Net assets per share	**2,014.20**	1,721.35	1,519.13	17.0	**17.15**
Credit Card Business Data (Non-consolidated):					
Card transaction volume	**¥3,146,729**	¥2,596,186	¥2,408,698	21.2	**$26,787,513**
Credit-card-related shopping services	**2,527,808**	2,078,117	1,912,211	21.6	**21,518,756**
Cash advances	**618,921**	518,069	496,489	19.5	**5,268,757**
Total cardholders (Millions)	**22.79**	16.90	15.87	34.9	
Active cardholders (Millions)	**11.68**	8.83	8.41	32.3	
New cardholders (Millions)	**2.71**	2.09	1.86	29.7	

Notes: 1. "Operating revenues" does not include consumption taxes, etc.
2. Treasury stock is deducted from capital. In addition, treasury stock is subtracted from the total number of shares outstanding in computing per share data.
3. Japanese yen amounts have been translated into U.S. dollars at the rate of ¥117.47= U.S.$1, the approximate exchange rate on March 31, 2006, for the convenience of the reader.

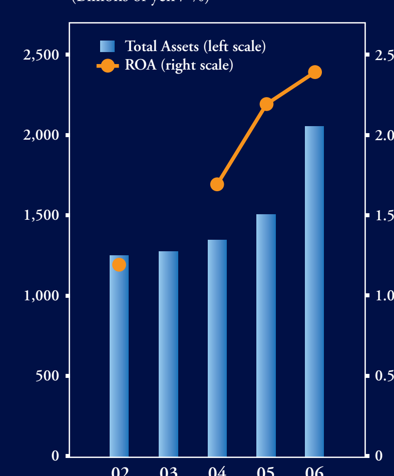
Operating Revenues
(Billions of yen)



Net Income (Loss) and ROE
(Billions of yen / %)



Total Assets and ROA
(Billions of yen / %)



Note: As a result of non-operating losses due to its agreement to a rehabilitation plan for The Seibu Department Stores, Ltd., which entailed a loss on revaluation of investment securities, the Company recorded a net loss of ¥6,027 million for the year ended March 31, 2003, and ROE and ROA for that year are not presented.

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.

"We continue to take on fresh challenges to achieve new goals."

The Credit Saison Group aims to be the number-one financial services company. Toward this end, we are working to expand and strengthen our business foundation through large-scale alliances, mergers and acquisitions and even the creation of new businesses.

Hiroshi Rinno
President and CEO

Overview of Fiscal 2005

Revenues and income increased due to continued growth in the credit & finance and real estate businesses. Net income increased 32.7 percent year-on-year to ¥42.2 billion.

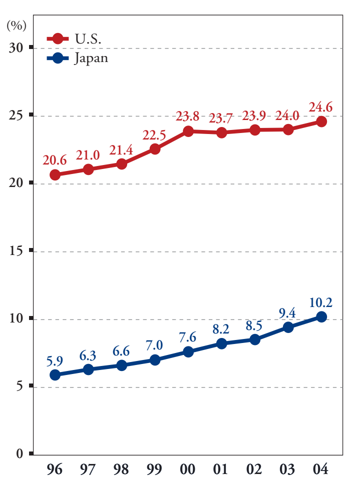
During fiscal 2005, the year ended March 31, 2006, operating revenues increased 14.3 percent year-on-year to ¥274.7 billion because of expansion of the consumer credit business, which includes the core credit card business and consumer loans, as well as significant growth in the real estate business. In the credit card business, total cardholders increased 5.89 million during the year to 22.79 million as of March 31, 2006, due to the addition of 4.27 million cardholders (as of January 1, 2006) from the merger with UC CARD Co., Ltd. (card issuance business)* and 3.22 million new credit card applicants. Active cardholders exceeded the 10 million mark, increasing 2.85 million to 11.68 million as of the fiscal year end due to factors such as growth in the use of credit cards for electronic toll collection (ETC), insurance, public utilities and other regularly recurring payments.

Operating income increased 18.7 percent year-on-year to ¥69.6 billion. In the credit & finance business, in addition to strong growth in shopping-related credit card transactions resulting from the recovery of the Japanese economy and expansion of channels for daily use, the scope of our business expanded due to the merger with UC CARD. Despite a one-time charge for amortization of goodwill in connection with the merger with UC CARD, factors such as income growth from robust marketing activities and a gain on the sales of securities held by our consolidated subsidiary Atrium Co., Ltd., which was listed on JASDAQ in March 2006, increased net income a substantial 32.7 percent year-on-year to ¥42.2 billion.

(*Note)
UC CARD Co., Ltd. separated the UC Card issuance business and member merchant and processing operations on October 1, 2005. This merger applies to the issuance business. Accordingly, “UC CARD Co., Ltd.” or “UC CARD” as used in this report refers to the UC Card issuance business only, unless otherwise stated. The member merchant and processing company continues to operate as a consolidated subsidiary of Mizuho Financial Group, Inc. and an equity affiliate of Credit Saison.

Percentage of Credit Card Use in Personal Consumption

(Japan – U.S. Comparison)



U.S.: Estimated figures based on the Nilson Report

Japan: Estimated figures based on Consumer Credit Statistics in Japan, Japan Consumer Credit Industry Association

Initiatives to Become Number One in the Industry

As a credit card industry leader, the Credit Saison Group worked aggressively in fiscal 2005 toward acquiring a 30 percent share of shopping-related credit card transaction volume by making full use of its leadership role in industry restructuring.

Fiscal 2005 was the final year of our medium-term management plan, which began in fiscal 2001. During those five years, the credit card industry has undergone a significant transformation in Japan. Mergers and acquisitions have accelerated, narrowing the number of leading participants to four groups, including the Credit Saison Group. As an industry leader, the Credit Saison Group has focused on creating innovative services that are supported by our customers. In the final year of our medium-term management plan, we attained all our major objectives, with significant increases of 100 percent in total cardholders, 80 percent in active cardholders and 66 percent in consolidated ordinary income compared with fiscal 2000.

The credit card business in Japan is entering a phase of major change, yet the proportion of credit transactions made by individual consumers is still less than half that of the United States. It is a market with great future growth potential. Moreover, payment systems that take the place of cash are gaining considerable attention, with the spread of *Osaifu-Keitai*® (Mobile Wallet) and other mobile credit services, and electronic money systems such as *Suica*® and *Edy*. At the same time, we recognize the importance of proceeding cautiously in response to trends in the business environment, including discussing loan interest rate limits and provisions for interest repayment.

Looking ahead, it will be critically important for Credit Saison to use this wave of change as an opportunity to increase profit by working to expand its customer base.

Management Objectives for Fiscal 2010

Expand Cardholder Base	Objective: Increase the cumulative **total of new cards issued by 25 million** during the period of the medium-term management plan Note: Including cards of capital and business alliance partners
Strengthen Operating Foundation	Objective: As quickly as possible during the period of the medium-term management plan, **establish an operating foundation that can consistently generate consolidated ordinary income of ¥100 billion**
Improve Capital Efficiency	Objective: **Establish an earnings structure that can consistently generate ROE above 10%.** Work to improve capital efficiency to achieve the challenging goal of ROE of 15% over the medium to long term

Progress of Strategic Alliances

In April 2005, under a strategic business alliance with Mizuho Financial Group, Inc., Mizuho Bank, Ltd. and UC CARD, we began acquiring new cardholders through the bank channel by commencing the issuance of the “Mizuho Mileage Club Card SAISON,” which functions as both an ATM card for Mizuho Bank, Ltd. and a SAISON CARD. In January 2006, we also added American Express to our existing brand offerings of VISA, MasterCard and JCB, expanding the lineup to four.

Following merger with UC CARD, Credit Saison has over 22 million cardholders and issues affinity cards for more than 200 alliance partners under the SAISON CARD and UC Card brands. By making full use of the features and benefits of both brands, and through aggressive marketing and accelerated business development based on economies of scale, we aim to become the industry’s largest credit card issuer with overwhelming customer support.

Expanding Our Offerings by Fiscal 2010

Under its new medium-term management plan, the Credit Saison Group aims to expand its offerings as a leading-edge service provider with a focus on expanding existing businesses and areas where it can achieve synergy with the credit card business.

Our new medium-term management plan, for the period from April 1, 2006 to March 31, 2011, is now underway. We previously set a medium- to long-term target of achieving a 30 percent share of the industry. To do this, economies of scale and differentiation are the most important factors. The management objectives of the new plan employ both qualitative and quantitative approaches aimed at making Credit Saison the number-one financial services company. The first objectives are to expand the cardholder base by increasing the cumulative number of new cards issued by at least 25 million within the plan period, including cards of capital and business alliance partners, and to establish an operating foundation that can consistently generate consolidated ordinary income of ¥100 billion. At the same time, we aim to improve capital efficiency by establishing an earnings structure that can consistently generate ROE above 10 percent while working to achieve the challenging goal of ROE of 15 percent over the medium to long term.

The Credit Saison Group does not aim to simply become a larger credit card company. While expanding the business base around the core credit card business, Credit Saison and its affiliated companies will maximize use of their combined management resources, including assets and know-how, to strengthen the lease, credit guarantee, loan, real estate, entertainment and servicer (loan collection agency) businesses and broaden the range of business opportunities. While pursuing businesses that can generate synergy with the credit card business, we will also consider establishing completely new service businesses targeting cardholders. Unconstrained by convention, we intend to dominate the industry by making maximum use of innovative ideas to achieve strategies and responsiveness that put us far ahead of the competition.

Management Strategy for Fiscal 2006

The Credit Saison Group will develop business in an innovative and speedy manner to quickly achieve the objectives of the medium-term management plan.

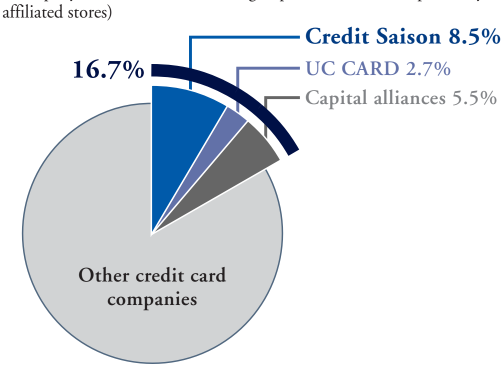
In fiscal 2006, the first year of the new medium-term management plan, we will focus on the following three key policies to quickly attain the position of number-one financial services company.

1. Promote Branding Strategies

Credit Saison considers credit cards to be a form of media. That is why we work to establish a uniform image for the SAISON CARD. In 2004, we launched a popular series of TV commercials entitled "The Giant Swing," featuring an elderly man performing on the horizontal bars, to increase awareness of SAISON Permanent Points ("*Eikyufumetsu Point*"), which never expire and can be exchanged for items at any time. In 2006, we co-sponsored the main sporting event of the year, the 2006 FIFA World Cup™, and featured Ronaldinho, arguably the number-one soccer player in the world today, as our image character together with the catch phrase "*Realize o seu sonho*" (*Realize your dreams*) to promote our corporate identity as a company aiming to be number one. Looking forward, we will continue to develop unique corporate identity campaigns aimed at heightening our corporate image and raising the brand value of SAISON CARD.

Market Share of Shopping-Related Credit Card Transactions Volume

(Company's own estimate excluding duplicate transactions posted by affiliated stores)



2. Promote Strategic Alliances

Credit Saison aggressively promotes business alliances. Efforts to date have secured the Group an approximately 17 percent share of the credit card market, including capital alliance partners. To achieve our target share of 30 percent, we will strengthen the operating foundation by further expanding the number of comprehensive business alliances, which we began forming in 2002, and through alliances and mergers and acquisitions that make use of Credit Saison's competitive advantages, including the UC brand. Specifically, we plan to promote strategic alliances including the provision of capital, human resources and know-how with retail, business services, financial, consumer credit, information technology, railway and other companies. In June 2006, we signed a comprehensive agreement in the credit card business with Yamada Denki Co., Ltd., a leading mass retailer of home electronics, under which we established Yamada Financial Co., Ltd., a new jointly funded company, and began issuing a new UC brand card. In July 2006, we reached an agreement with The Shizuoka Bank, Ltd. to form a business alliance aimed at establishing a successful business model for a regional retail finance business.

Capital alliance partners LAWSON CS Card, Inc., Idemitsu Credit Co., Ltd., Resona Card Co., Ltd. and Takashimaya Credit Co., Ltd. are beginning to steadily contribute to income as they move from the up-front investment to the income-generating stage. We will enhance marketing toward achieving a Group objective of 5 million new card applications in fiscal 2006.

As customer interest shifts from saving to investment, the Credit Saison Group is also planning the commercialization of appealing financial services. We will provide unique services to our more than 22 million cardholders, including an insurance agency business, a securities brokerage business, a bank agency business and an investment business.

3. Expanding into New Markets

Credit Saison's corporate policy is to take on fresh challenges, constantly innovate and never be satisfied with the status quo. We will continue to quickly identify customer needs and business opportunities and respond by taking on various challenges.

In the area of mobile credit services, where the number of participants is growing, we are conducting studies from various perspectives toward the establishment of a service that matches customer needs. Credit Saison has joined the Mobile Payment Promotion Association* to promote the diffusion of QUICPay™, and has formed a business alliance with NTT DoCoMo, Inc., Mizuho Bank, Ltd. and UC CARD to provide *Osaifu Keitai*®-based services that promote acceptance of iD™ and other brands.

Credit Saison has been providing cash advances and non-secured cardholder loans as incidental services on its credit cards to meet the financial needs of its cardholders. To meet a wider range of financial needs, however, we have begun issuing the "SAISON Loan Card," a new card strictly for loans, and have positioned it as a priority product. Our aim is full-scale entrance into the field of retail loans by planning products that give customers more options through interest rates that match a broad range of uses and individual creditworthiness and application processes that better meet their needs.

By issuing a premium card, the "SAISON Platinum American Express Card," we have also begun acquiring customers who were not previously regular users of the SAISON CARD. In the future, we plan to structure operations around higher-status customer segments by providing enhanced travel and entertainment services that differentiate our offerings from other company's platinum and gold cards.

Through the above measures, we plan to achieve our targets for the end of March 2007 of operating revenues of ¥328.0 billion, operating income of ¥74.0 billion and net income of ¥39.0 billion.

Aiming for Dramatic Growth

We will work to accelerate the pace of growth in order to raise corporate and shareholder value.

Credit Saison works to provide a full lineup of services that support the various lifestyles of its customers while aggressively promoting innovations that are firmly based on customer satisfaction to increase convenience.

In fiscal 2006, we will work to raise corporate and shareholder value by integrating SAISON CARD and UC Card services to maximize the benefits of the merger with UC CARD and by developing various alliance strategies in line with market changes.

Credit Saison focuses on how to build a framework that maintains the enthusiasm of its employees in their jobs, as it is their sensitivity and capabilities that underpin the growth and development of the Company's operations. In June 2006, Credit Saison appointed its first female director and first director in his thirties. We will continue age- and gender-neutral promotions to cultivate personnel who will drive our medium-term management plan forward. Look for the Credit Saison Group to take on new challenges and achieve new breakthroughs.

July 2006

Hiroshi Rinno
President and CEO

(*Note)
The Mobile Payment Promotion Association was formed in October 2005 by JCB Co., Ltd. and other credit card companies to promote the early diffusion of noncontact, mobile payment services and to develop the related infrastructure.

a dream realized

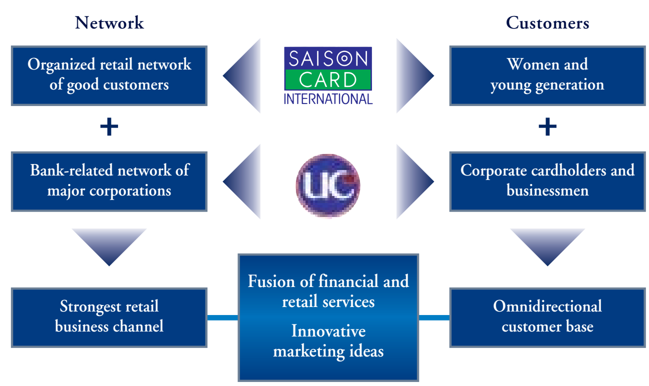
Triumph

Credit Saison is rapidly advancing toward triumph as the leading card issuer in the industry.

➥ Merger with UC CARD Gives Rise to a New Credit Saison

The January 2006 merger with UC CARD Co., Ltd. (card issuance business) transformed Credit Saison into an issuing company with over 22 million cardholders for both the SAISON CARD and UC Card brands. UC CARD makes use of the customer base and network of Mizuho Financial Group, Inc., a financial industry leader, to provide diverse products to individual and corporate customers in Japan. With approximately 35,000 companies on its roster, including major corporations, government agencies and educational institutions, UC CARD is building a strong customer base centered on corporate members and businessmen by issuing multifunction cards that have a variety of applications, such as ID cards for employees and students, room access control and security cards for computer access.

SAISON CARD has built an organized retail network of good customers focused on young people and women, who are the biggest users, while UC Card's strength lies in its bank-related network. By making full use of the features and benefits of both these brands, and through aggressive marketing and accelerated business development based on economies of scale, Credit Saison aims to become the industry's leading card issuer with overwhelming customer support.



➥ Working to Become the Number-One Card Issuer

In April 2005, we began issuing the "Mizuho Mileage Club Card SAISON," which functions as a Mizuho Bank ATM card and a SAISON CARD. This established Mizuho Bank as a new channel that gives us access to the bank's approximately 26 million customers.

We will also maximize use of the Mizuho Financial Group's network by cooperating in aggressive sales targeting its large corporate customers, with which we previously had no contact. As a new initiative that makes use of the UC Corporate Card customer base, we will promote mutual customer referrals between companies issuing corporate cards and established affinity card issuers.

The "Ubiquitous" credit center, which started operations in April 2005, provides a single source for all customer credit cycle functions: application and registration, credit screening, billing, response to customer inquiries and collection. Handling the needs of more than 22 million cardholders, Ubiquitous supports Credit Saison's growth. Looking forward, we will expand our business further by maximizing use of Ubiquitous to strengthen our operational framework.

➥ A Growth Strategy Based on Alliances

In enhancing its alliance network and developing new products and cards, Credit Saison's management strategy is to develop new business schemes that give it a competitive advantage by setting it apart from competitors, and to provide alliance partners with assets – capital, human resources and know-how – that achieve mutual growth for the Company and its alliance partners. At present, Credit Saison issues cards for approximately 200 alliance partners under the SAISON CARD and UC Card brands. In fiscal 2006, we are scheduled to issue affinity cards with SEIBU Railway Co., Ltd. and Yamada Financial Co., Ltd. Looking ahead, we plan to target a broad range of companies, not just those in the retail and financial industries, in promoting strategic alliances.

To begin acquiring higher-status customers, who were not previously regular users of the SAISON CARD, we have issued a premium card, the "SAISON Platinum American Express Card," through an alliance with American Express. With this new card and the "Gold Card SAISON," we are working to structure operations around the premium customer segment.

➥ The Capability to Develop Innovative Services

With interest in investment rising among regular consumers, Credit Saison aims to commercialize financial services that appeal to cardholders. We provide a variety of products through insurance agency, securities brokerage and other businesses. In addition to Monex, Inc. account opening services and the sale of Japanese government bonds, in fiscal 2005 Credit Saison formed an alliance with Toyota Financial Services Securities Corporation. Under this alliance, Credit Saison's securities brokerage business handles special financial products that only Toyota can provide, such as foreign-denominated bonds issued by Toyota's financial subsidiaries. To facilitate the expansion of this business, we have established new SAISON Counters with enhanced financial service functions, primarily in major urban centers. In the area of foreign currency investment products, we have jointly developed SAISON Foreign Exchange, original foreign exchange margin-trading products targeting cardholders, under an alliance with Central Tanshi On-line Trading Co., Ltd. Moreover, we regularly hold popular seminars on asset management with Sawakami Asset Management Inc. to help cultivate new long-term investors.

Credit Saison has been developing services that defy conventional industry standards, such as "immediate issuance, immediate credit," signature-free transactions and allowing customers to set their own credit limits. Of these services, SAISON Permanent Points ("*Eikyufumetsu Point*"), which never expire and can be accumulated indefinitely, enjoy strong customer support and help motivate customers to apply for a card and use it more often. We will continue to develop new services based on innovative ideas that delight customers.

a dream realized

Delight

Credit Saison continues to delight its stakeholders.

a dream realized

Prestige

Credit Saison firmly maintains a dominant presence based on innovative management.

➥ Securing and Developing Responsive Personnel

Securing and developing responsive personnel is an important task supporting the advancement of Credit Saison's growth strategies. In addition to new graduates, we actively recruit mid-career workers by scouting personnel with highly specialized skills who can immediately add to our strategic capabilities. In addition, we have established a variety of personnel systems that offer new prospects for individual employees. These include a Route Change system under which employees can change their status to hourly wage contract workers (Workmates) because of marriage, childbirth, childcare and other major turning points, and Work Re-entry, a system for rehiring former employees. Applying these personnel systems, ingraining a meritocracy and promoting the recruitment of women led to the appointment of Credit Saison's first director in his thirties, and its first female director, in fiscal 2006.

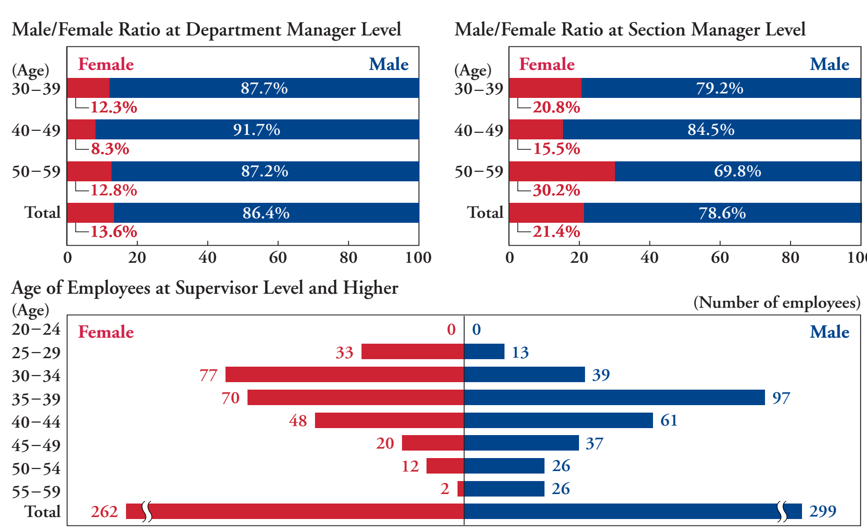
Organizational enhancements are also progressing in conjunction with the integration of new employees from UC CARD. In addition, Credit Saison proactively assigns middle-management and other employees to affiliates and alliance partners to give them experience in management and the overall business flow and to establish a network. This experience is expected to play a major part in shaping their careers.

➥ Building a Framework that Maintains Job Enthusiasm

Among the various options that exist for relationships between an individual and an organization, Credit Saison focuses on how to maintain job enthusiasm. We are concentrating our efforts on introducing measures that enhance employee motivation, based on the view that the way to success lies in employees finding the work they love or learning to love the work they have already chosen.

In addition to the Job Entry System, which permits employees to submit job transfer requests directly to the Personnel Department, and the Job Competition System, which allows those at the section manager level and higher to submit job position requests, we are building an enhanced framework that allows individual employees to get the jobs they love through measures such as internal solicitations for positions in newly established sections. Credit Saison also aims to develop leaders for the next generation. We encourage section managers to think beyond the bounds of our internal operations by dispatching them to training exchanges with companies in different businesses. In this way, we are generating opportunities to broaden their perspectives.

Management Track Profile



(As of March 31, 2006)

Contributions of Capital Alliance Partners in the Credit Card Business

Capital alliance partners LAWSON CS Card, Inc., Idemitsu Credit Co., Ltd., Resona Card Co., Ltd. and Takashimaya Credit Co., Ltd. are beginning to steadily contribute to income as their business structures move from the up-front investment to the income-generating stage. The network of 7,600 LAWSON convenience stores, 6,000 Idemitsu gas stations, 650 staffed bank branches of Resona Holdings, Inc. and 19 Takashimaya department stores also generates immeasurable business opportunities. Since the beginning of fiscal 2006, we have also established the joint venture Yamada Financial Co., Ltd. with Yamada Denki Co., Ltd., which operates 320 stores nationwide. In addition, we have reached an agreement with The Shizuoka Bank, Ltd. to create a successful business model for a regional retail finance business, and plan to establish a joint venture company.

Looking ahead, we will continue working aggressively to expand into new channels based on comprehensive alliances employing capital, human resources and know-how that only Credit Saison can offer. Our aim in fiscal 2006 is to achieve 5 million new card applications, including those of our capital alliance partners.

Group Objective: More Than 5 Million New Cards Issued Annually

LAWSON CS Card	Idemitsu Credit	Resona Card	Takashimaya Credit	Yamada Financial	Shizugin SAISON Card[2] (Provisional name)
Total cardholders: 2.3 million	Total cardholders: 2.1 million	Total cardholders: 2.3 million	Total cardholders: 1.8 million		
Equity Share: 30%	Equity Share: 50%	Equity Share: 22.4%	Equity Share: 33.4%[1]	Equity Share: 34%	Equity Share: 50%

Growth in Consolidated Ordinary Income

Notes: 1. Equity share in Takashimaya Credit Co., Ltd. pursuant to agreement between the Company and Takashimaya Co., Ltd. in July 2006 (equity share as of July 2006: 10 percent).
2. Shizugin SAISON Card (provisional name) is scheduled to be established in October 2006.

Mobilizing Comprehensive Group Strengths

The business of Group companies operating in areas outside the credit card business has been steadily expanding in recent years. In particular, operating income of the Atrium Group, which handles the real estate business, increased 66 percent year-on-year to ¥20.8 billion as a result of factors such as aggressive property acquisition and enhanced efforts to offer development plans that meet market needs. In addition, Atrium Co., Ltd., the core business of the Atrium Group, listed its shares on JASDAQ in March 2006.

Results of the lease, credit guarantee, loan, entertainment and servicer (loan collection agency) businesses all increased significantly compared with the previous fiscal year. The Credit Saison Group will continue working to improve corporate value and become the number-one finance company in the industry by generating greater synergy to strengthen its operating foundation.

Glory

Credit Saison is mobilizing total Group strengths to increase corporate value by advancing toward fresh challenges.

Major Group Companies (As of March 31, 2006)

Positioning the credit card business as our core business, Credit Saison works toward enhancement of the Group's corporate value by strengthening synergies among Group companies.

Saison Fundex Group

■SAISON FUNDEX CORPORATION

Loans business: The company's core business is to develop personal loan products. The individual loan business, real estate mortgage loan business, as well as card loan businesses such as C-plan Card, Cash Reserve and VIP loan continue to show favorable growth.

■House Planning Co., Ltd.

Real estate transactions: The company promptly evaluates business operations and provides a full range of support, from land acquisition to property development. It offers contract construction services and land/single house development business for housing providers.

Atrium Group

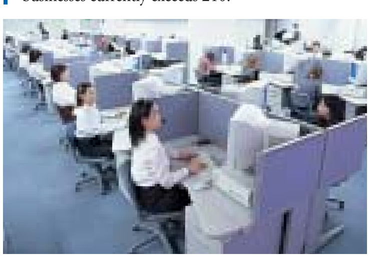
■■Atrium Co., Ltd.

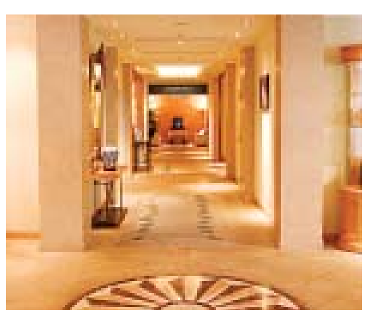
Real estate transactions/Credit and financial services: As a core member of the Atrium Group, the company aims to revitalize real estate in Japan, and has renovated more than 10,000 properties in fourteen years since its foundation. Focusing on the integration of real estate and finance, the company revitalizes properties with its unique expertise and value-added business model.

Other Companies

■JPN Servicer Co., Ltd.

Servicer (loan collection agency): Primarily focused on the collection of small unsecured loans, the company achieves high efficiency and good collection results by employing a unique system and high security in its operations at five centers nationwide. The company is actively expanding by developing a research business and a support services business. The total number of alliance partners in all three businesses currently exceeds 210.





■■Uraku Aoyama Co., Ltd.

Membership club management/Property management: The company operates a membership club named uraku AOYAMA and leases 25 properties. The membership club provides an elegant and comfortable space which includes fitness facilities, a restaurant and a hotel, while the property management business plans and develops attractive, community-based utilization of properties.

Equity Method Affiliates

■LAWSON CS Card, Inc.

Credit and financial services: The company began issuing "LAWSON PASS" in August 2002 using Lawson's sales network and Credit Saison's expertise in the credit card business. This point card, which also functions as a credit card, became the first in the convenience store industry to acquire over 2.3 million users since its launch four years ago.

OPERATION SEGMENTS

- ■ Credit & Finance
- ■ Entertainment
- ■ Real Estate
- ■ Other

■Atrium Servicing Co., Ltd.

Servicer (loan collection agency): Specializing in disposal of real estate mortgage loans, the company offers highly competitive sourcing and servicing strength based on knowledge and experience in the property business accumulated in Atrium Co., Ltd., the parent company.

■AIC Inc.

Real estate transactions: The company aims for stable rent revenues from medium- to long-term holdings of primarily developable commercial-use revenue properties and income on the sale of holdings whose value the company has enhanced.

Vivre Group

■Vivre Co., Ltd. / A&A Co., Ltd.

Amusement services: Focusing on the concept of "comfortable amusement spaces" that satisfy customers, the companies operate 33 amusement facilities in Japan. They strive to develop amusement facilities that satisfy customers by offering a comfortable, sound and relaxing experience with high-quality service.

■NOA Planning Co., Ltd.

Consultancy: The company develops attractive amusement facilities, operated by Vivre Co., Ltd., that stay one step ahead of customers' needs, while meeting the high standards of surrounding communities.

■Idemitsu Credit Co., Ltd.

Credit and financial services: As the only credit company in the oil industry, the company aggressively expanded its business at gas stations, and the number of credit cards issued exceeds two million. The company is working toward further business expansion by launching a new type of credit card that integrates Credit Saison's expertise into its existing card.

■UC CARD Co., Ltd. (Member merchant and processing company)

Credit and financial services: A core credit card company in the Mizuho Financial Group, UC CARD specializes in payment processing through a strategic business alliance between Credit Saison and Mizuho. It aims to be a comprehensive payment processing services company with the ability to provide a wide range of payment services in and beyond the field of credit cards.

■Resona Card Co.,Ltd.

Credit and financial services: As the credit card company of the Resona Group, the company has issued 2.3 million cards and provides services closely linked to the lifestyles of its cardholders. Through the business alliance with Credit Saison, the company started issuing the "Resona Card + S (Resona Card SAISON)" in October 2004 and is aggressively working to achieve further expansion.

■Saison Information Systems Co., Ltd.

Information processing services: The company develops communications middleware packages such as HULFT, and conducts information system planning and operations in the credit card and retail distribution businesses. The company is implementing "Five reforms" based on its medium-term management policy, "Challenge to changes."

■Saison Automobile and Fire Insurance Co., Ltd.

Non-life insurance: Operates business centered on insurance for individuals. After concluding an alliance with Sompo Japan Insurance Inc., the company is implementing structural reforms of business operations focused on developing new business targeting Saison cardholders and enhancing direct marketing.

Board of Directors and Auditors (As of June 24, 2006)

From left:

Teruyuki Maekawa*
Executive Vice President
Assistant to the President
General Manager of Alliance Division
In charge of Public Relations Office and Audit Office

Hiroshi Rinno*
President and CEO

Atsushige Takahashi*
Senior Managing Director
Assistant to the President
General Manager of Finance Division

From left:

Naoki Takahashi
Managing Director
General Manager of Strategy Division
Deputy General Manager of Credit Card Division

Shinji Hojo
Managing Director
Deputy General Manager of Management Division

Mitsusuke Yamamoto
Managing Director
General Manager of UC Division

From right:

Kazuhusa Inada
Managing Director
General Manager of Credit Card Division
Deputy General Manager of Alliance Division

Hidetoshi Suzuki
Managing Director
General Manager of Management Division and System Division

Toshiharu Yamamoto
Senior Managing Director
General Manager of Credit Division and Retail Banking Division

Hiromichi Sato
Managing Director
Deputy General Manager of Finance Division

From left:

Hideo Suzuki
Director
General Manager of Sales Division

Hisayuki Kurata
Director
General Manager of Administration Division

Kyosuke Togano
Director
Deputy General Manager of System Division

Chikako Yokoi
Director
Deputy General Manager of Credit Card Division

Takayoshi Yamaji
Director
Deputy General Manager of UC Division

From right:

Kenzo Tada
Director
Deputy General Manager of Alliance Division

Hong Tae Kim
Director
Deputy General Manager of Strategy Division
General Manager of Corporate Planning Dept.

Yoshiro Yamamoto**
Director

Akira Kuramitsu
Director
General Manager of East-Japan Business Dept.

From left:

Seiji Sugiyama**
Auditor

Atsushi Toki**
Auditor

From right:

Isamu Sato**
Standing Statutory Auditor

Toshio Sakai
Standing Statutory Auditor

*Representative Director **Outside director or auditor

Corporate Governance

The Credit Saison Group realizes the importance of creating innovative services and continuously raising corporate value. At the same time, it must strengthen supervisory functions that increase transparency in management and achieve business objectives. These are key factors for carrying out Credit Saison's basic management policies and gaining shareholders' understanding and support. Consequently, Credit Saison is taking various measures that enhance its system of corporate governance.

Internal Control System

The Company's Board of Directors has set basic policies for directors to structure a system that ensures the Company's compliance with statutes and the Company's articles of incorporation, as well as the adequacy and efficiency of its business. The basic policies are based on one of the Company's fundamental philosophies — to "always realize profitable growth and maximize the satisfaction of customers and other stakeholders by pursuing innovative ideas and strategies." In structuring the internal control system, the Company works to maximize shareholders' interests by pursuing efficiency and effectiveness to improve business results and earnings while maintaining the adequacy of business.

Corporate Governance System

The Board of Directors consists of nineteen members, one of whom is from outside Credit Saison. The Board of Directors sets basic policies for the Company's business execution and supervises directors' execution of their duties. With a view to enhancing corporate governance to ensure that the Company's business is conducted properly and soundly as a whole, the Board of Directors is working to structure an effective internal control system and establish a framework for the company-wide observance of statutes and the articles of incorporation. Furthermore, in order to ensure that directors execute their duties properly, the Board of Directors operates in accordance with the rules for the Board of Directors. Directors properly manage or oversee the divisions under their supervision or charge in accordance with the rules regarding organizations and allocation of duties so that the divisions may execute their duties efficiently.

Credit Saison applies the auditor system, with a Board of Auditors consisting of four auditors. Three of the four auditors are from outside Credit Saison. The Board of Auditors checks the effectiveness and function of the internal control system and strives to detect problems early and improve accuracy. In accordance with the auditing policies decided by the Board of Auditors, each auditor conducts rigorous audits by attending meetings of the Board of Directors and other important meetings, listening to reports on business activities from directors and others, reviewing documents containing important decisions, and examining the condition of the Company's business operations and assets. The Company has also established the Auditors' Secretariat consisting of experts in internal audit to assist auditors in executing their duties. As an additional step to develop and implement measures for compliance, the Company has set up the Compliance Division as well as the Compliance Committee — dedicated bodies for the observance of statutes and corporate ethics. Also, the internal Audit Office conducts audits of compliance, risk management, internal control systems, governance and other matters in the organizational operations and business activities of Credit Saison and its group companies, and makes evaluations and recommendations based on these audits.

Credit Saison will continue to consider the most suitable management structure, taking into consideration factors including international trends in corporate governance and relevant statutes.

Compensation and Other Remuneration of Directors and Auditors

Compensation and other remuneration paid to directors and auditors in fiscal 2005 are as follows.

Compensation paid to directors and auditors

Total amount of compensation paid to directors in fiscal 2005:	¥510 million
Total amount of compensation paid to auditors in fiscal 2005:	¥ 58 million

Compensation and other remuneration paid to independent auditors

Compensation based on duties performed pursuant to the Certified Public Accountants Law (1948, Law No. 103) Paragraph 2, Section 1:	¥ 38 million
Compensation other than the above:	¥ 3 million

Thorough Implementation and Enhancement of Compliance

Credit Saison has structured a company-wide compliance system centered on the Compliance Committee and the Compliance Division, which was newly established in March 2006, to ensure legal compliance, fairness and ethical conduct in its corporate activities.

Senior Managing Director Toshiharu Yamamoto serves as chairman of the Compliance Committee. The committee convenes several times each year, and its secretariat meets more than 20 times annually, to carry out initiatives such as drawing up a code of ethics and standards of conduct, and creating a unit to promote compliance. The committee also produces and distributes a compliance handbook for regular and contract employees. A compliance consultation desk has been set up in the Company, and inquiries are also accepted through a company intranet and a special Internet address. Cases referred to the desk are promptly reported to the Board of Directors and the Board of Auditors so that any violations may be resolved early.

In addition, the Compliance Division uses outside guest lecturers to conduct compliance training for executives, including directors and division managers, as well as for general employees. Also, employees responsible for and in charge of compliance are assigned to each division and conduct training programs at the division's initiative.

Approach to Increased Use of Information Technology

Against the backdrop of society's increased use of information technology (IT), Credit Saison ensures that customers can rely on its credit cards by placing the highest priority on safety and reliability in systems operation. Under this operating environment, by fully activating the new Ubiquitous credit center and expanding the Kansai Communication Center, Credit Saison has upgraded its business systems ranging from screening through collection, and secured and rationalized their safety and reliability through countermeasures against systems disruptions that may be caused by natural disasters, accidents or computer viruses. Work centralization has also improved efficiency. Credit Saison will continue efforts to keep its systems safe, reliable and efficient through the future.

Risk Management

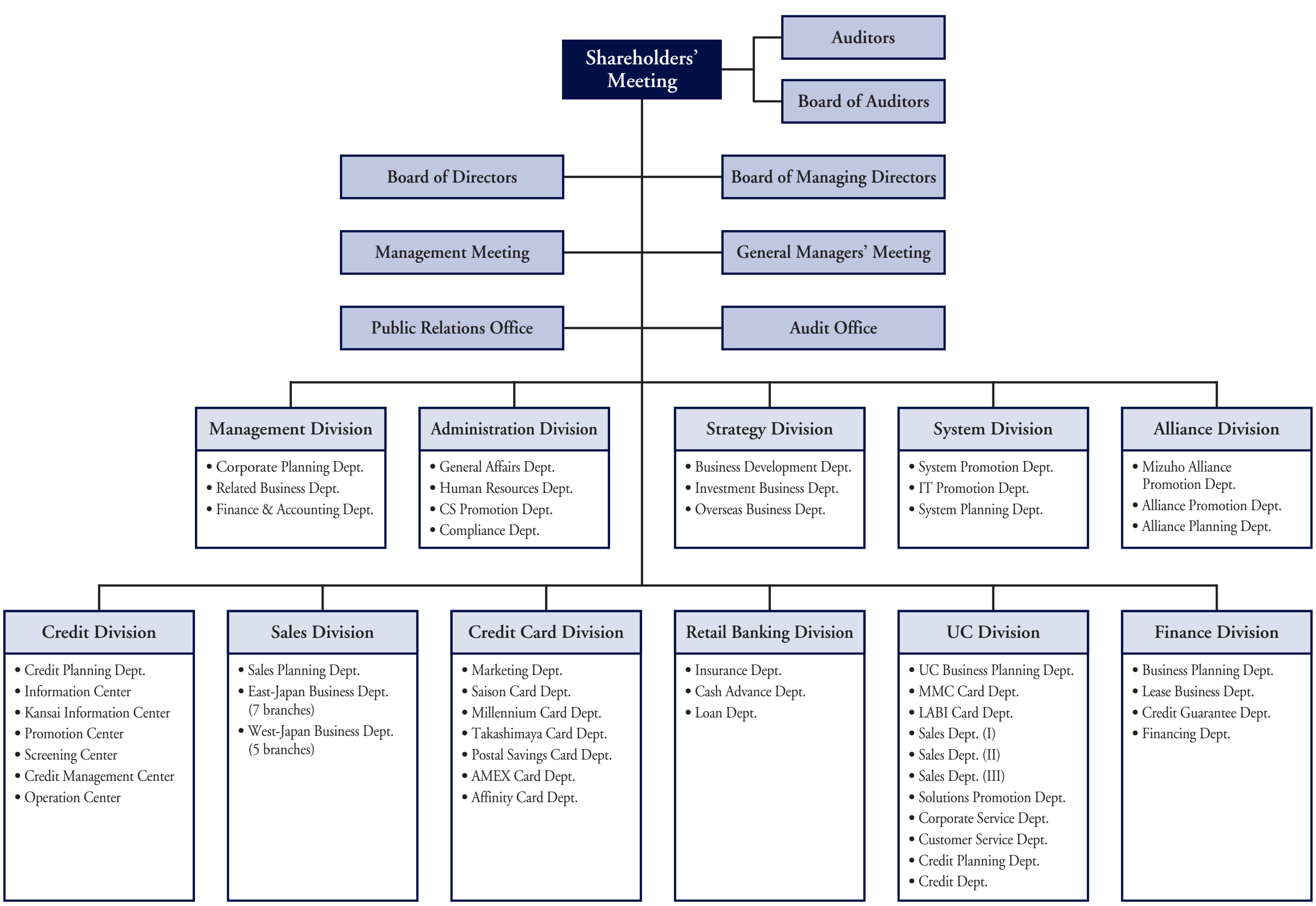
In terms of risk management, the Company has set up rules for loss risk management and crisis management to minimize risks and to deal with them properly if they occur. In order to achieve these objectives, the Company conducts in-house education and training on a regular basis for employees of every rank concerned with the rules for loss risk management and crisis management, and the Board of Directors checks these rules from time to time and directs that they be amended or improved as needed in order to maintain the risk management system.

Proactive Disclosure of Information

The Company proactively discloses information through such events as business results briefings, investment conferences and IR meetings, and makes further efforts to increase transparency in management by posting business results summaries, IR activities and other relevant information on the Company's homepage.
For corporate and IR information visit:
http://corporate.saisoncard.co.jp/co.nsf/en/index.html

Management Structure (as of July 31, 2006)

In March 2006, the Company set up certain new organizations and reorganized others with a view to maximizing the effect of the merger with UC CARD Co., Ltd. and to properly allocate management resources for the growth of divisions and Group companies.



Corporate Social Responsibility (CSR) of Credit Saison

The Company conducts its business to realize the management philosophy that "we will certainly succeed and as a result, will be able to reward our shareholders if we create Customer Satisfaction, respect the mutual interests of our business partners and gain employees' empathy," while duly focusing on thorough compliance as well.

The Company's Perspective on CSR

In addition to pursuing the basic management philosophy of "Customers First and Customer Satisfaction," the Company is taking further steps toward fulfilling CSR from the viewpoint that a company is a public institution.

Credit Saison's perspective on CSR is that a company should not only fulfill such minimum responsibilities as legal compliance and profit contribution as a social entity but should also conduct business in response to or beyond the express and implied expectations of citizens, communities and broader society.

Based on this viewpoint, the Company looks at CSR from three different perspectives and formulates action plans accordingly:

1. Actions the Company should take to exist as a corporate entity and bring profits to customers, employees and investors, led by shareholders,
2. Actions the Company can take to contribute internally through the core credit card and financing business, and;
3. Contributions to society that only Credit Saison can make, or that Credit Saison is in the best position to make.

Perspective 1 Action Plans

As explained in the Corporate Governance section, the Company is implementing programs to enhance corporate governance.

Perspective 2 Action Plans

As a credit card company handling customers' credit information, Credit Saison believes it is critical to properly manage private information and respect its value in accordance with the objectives of the Private Information Protection Law. Furthermore, since the age, sex, living environment and other conditions of employees are not particularly significant to our business, the Company proactively approaches a wide spectrum of people as prospective employees.

❖Proper Management of Private Information

Regarding the management of private information, the Company observes not only relevant statutes but also guidelines and rules in the industry and internal rules. At the same time, the Company conducts in-house training and ethical education, and practically obligates employees to be "private information managers" as certified by the Japan Consumer Credit Industry Association, so that awareness necessary for proper management may foster and permeate throughout the entire organization. In addition, the Company has enhanced security by using special lines, setting a limit on the number of personnel with access authorization, coding information and controlling entry into and exit from the places where information terminals are installed, among other initiatives. Furthermore, the Company is continuing to reinforce information management and as a specific token of such efforts in May 2006 obtained the "Privacy Mark" accorded to providers that properly manage private information.

❖Employment Policy

The Company strives to proactively employ a wide spectrum of people regardless of age and sex, and create an ideal working environment. More than 170 SAISON Counters located nationwide are run by female employees, including managers. Also, taking into account the declining birthrate, the Company was among the first to provide a working environment that allows female employees to keep their jobs even after they marry and have families. The Company actively promotes programs to rehire retired employees as well.

Perspective 3 Action Plans

Essentially, credit cards not only provide customers with the convenience of getting what they want now and paying for their purchases later but also constitute a payment method that has a very important impact on overall economic activity. However, in light of problems associated with heavy debtors, it is an important mission of the Company to work to curb overuse of cards and restore the soundness of the credit card market.

We believe that thinking about how to enrich our customers' lives and how to make contributions to economic progress is an important part of our CSR activities.

We also believe that another responsibility is to pursue not only our own profits but also coexistence with other companies, and in this context we consider it an important part of our CSR activities to form mutually beneficial alliances with other companies in the card business.

Environmental Protection and Social Contributions

The Company offers means for individual customers to make contributions to society through the use of their cards.

In order to support customers in making donations that they may be somewhat hesitant to make on their own, the accumulation of SAISON Permanent Points ("*Eikyufumetsu Point*") allows users to make donations through the use of their cards. Items available include those that may be donated to support World Heritage activities and the World Terakoya Movement through the National Federation of UNESCO Association in Japan (NFUAJ), to the Forest Culture Association for its activities to protect forests and the environment, to the Japan Guide Dog Association (JGDA) for its training of guide dogs, to the Japan Association for UNHCR (United Nations High Commissioner for Refugees) for its aid to refugees and to the NPO Peace Winds Japan (PWJ) for its assistance for restoration or development in the aftermath of conflicts or natural disasters.

In addition, the Company uses recyclable materials for credit cards and environment-friendly materials for statements and literature sent to customers. The Company also encourages its employees to take measures to prevent global warming, actively promotes "Cool Biz" and calls for thorough recycling of printed materials for internal use.

Card Tie-Ups

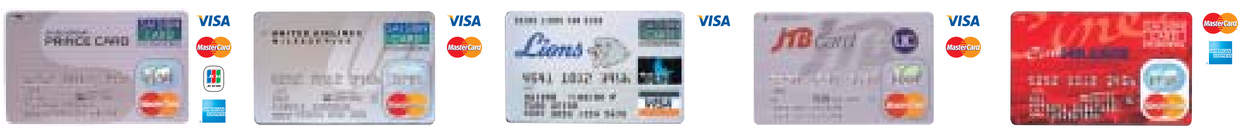
Shopping

Sogo Co., Ltd. | The Seibu Department Stores, Ltd. | Takashimaya Company, Limited | The Loft Co., Ltd. | Ryohin Keikaku Co., Ltd.

Mitsui Fudosan Co., Ltd. | BALS Corporation | Toys"R"Us-Japan, Ltd. | PRINTEMPS GINZA Co., LTD. | Kagoshima Terminal Building Inc.

PRIME PLACE Co., Ltd. | Parco Co., Ltd. | Yamada Financial Co., Ltd. | Kawatoku Co., Ltd. | Ishimaru Denki Co., Ltd.

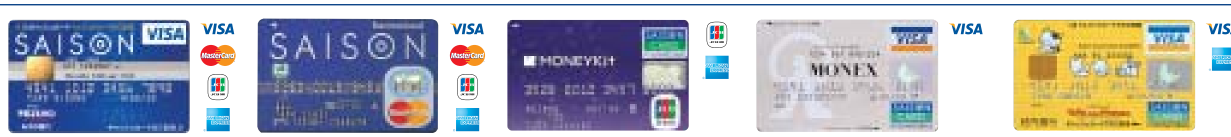
Travel & Entertainment



SEIBU Group | United Airlines, Inc. | SEIBU LIONS, Inc. | JTB Corp. | TOHO Cinemas Ltd.

Japan Football Association | Yamaha Corporation | PADI, Inc. | Keihin Electric Express Railway Co., Ltd. | FEG INC.

Financial Institutions



Mizuho Bank, Ltd. | JAPAN POST | Sony Bank Inc. | Monex, Inc. | The Shonai Bank, Ltd.

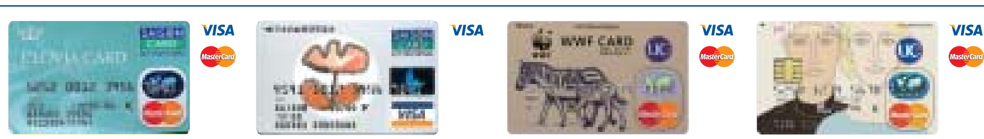
Internet and Communications

NTT DoCoMo, Inc. | NIFTY Corporation | KDDI CORPORATION | WOWOW Inc.

Automotive

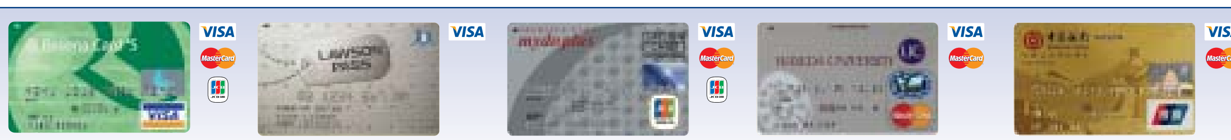
Mazda Motor Corporation | Japan Automobile Federation | Japan Highway Public Corporation | Honda Motor Co., Ltd. | YANASE & CO., LTD.

Social Contribution



Tokyo Gas Energy Co., Ltd. | Japan Leukaemia Research Fund | World Wide Fund for Nature Japan | TOKYO GAS Co., Ltd.

Processing Business and Others



Resona Card Co., Ltd. | LAWSON CS Card, Inc. | Idemitsu Credit Co., Ltd. | Waseda University | THE BANK OF CHINA LIMITED

Financial Section

CONTENTS

Six-year Summary of Selected Financial Data

As of and for the years ended March 31

	Millions of yen						Thousands of U.S. dollars (Note 4)
As of and for the years ended March 31	**2006**	2005	2004	2003	2002	2001	**2006**
CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	**¥ 274,666**	¥ 240,385	¥ 220,332	¥ 212,242	¥ 214,838	¥ 188,061	**$ 2,338,182**
Selling, general and administrative expenses	**193,126**	172,024	156,502	147,018	141,795	128,187	**1,644,042**
Financial cost	**11,965**	9,771	9,825	12,810	13,370	15,747	**101,857**
Operating income	**69,575**	58,590	54,005	52,414	59,673	44,125	**592,283**
Net income (loss)	**42,220**	31,818	22,420	(6,027)	18,225	13,548	**359,409**
At year-end:							
Total shareholders' equity (Note 2)	**¥ 360,717**	¥ 301,310	¥ 258,253	¥ 236,028	¥ 242,594	¥ 225,947	**$ 3,070,718**
Total assets	**2,062,735**	1,512,949	1,352,710	1,280,823	1,256,899	1,719,109	**17,559,675**
Interest-bearing debt (Note 3)	**1,480,380**	1,146,928	1,011,563	965,082	885,270	833,076	**12,602,196**
Per share data (in yen and U.S. dollars) (Note 2):							
Net income (loss) per share	**¥ 237.29**	¥ 185.00	¥ 130.55	¥ (36.57)	¥ 108.56	¥ 81.04	**$ 2.02**
Net assets per share	**2,014.20**	1,721.35	1,519.13	1,380.26	1,436.58	1,351.19	**17.15**
Key financial ratios (%):							
Return on shareholders' equity (ROE)	**12.8**	11.4	9.1	—	7.8	6.2	
Return on assets (ROA)	**2.4**	2.2	1.7	—	1.2	0.8	
Shareholders' equity ratio	**17.5**	19.9	19.1	18.4	19.3	13.1	
NON-CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	**¥ 216,453**	¥ 190,248	¥ 175,725	¥ 171,843	¥ 154,204	¥ 133,777	**$ 1,842,626**
Selling, general and administrative expenses	**156,887**	135,403	123,746	121,111	105,555	87,371	**1,335,553**
Financial cost	**9,700**	8,186	7,154	7,607	7,402	8,605	**82,576**
Operating income	**49,866**	46,659	44,825	43,124	41,248	37,800	**424,497**
Net income (loss)	**27,131**	25,798	24,396	(5,026)	12,286	16,522	**230,963**
At year-end:							
Total shareholders' equity (Note 2)	**¥ 341,423**	¥ 298,502	¥ 261,793	¥ 237,175	¥ 243,492	¥ 232,393	**$ 2,906,473**
Total assets	**1,761,666**	1,290,067	1,155,776	1,085,349	1,057,841	1,031,360	**14,996,732**
Interest-bearing debt (Note 3)	**1,239,043**	948,561	828,639	779,451	698,510	659,099	**10,547,736**
Per share data (in yen and U.S. dollars) (Note 2):							
Net income (loss) per share	**¥ 152.21**	¥ 149.78	¥ 142.00	¥ (30.34)	¥ 72.50	¥ 97.49	**$ 1.30**
Net assets per share	**1,904.13**	1,703.39	1,536.51	1,383.04	1,436.80	1,371.30	**16.21**
Dividends per share	**26.00**	20.00	18.00	18.00	18.00	18.00	**0.22**
Key financial ratios (%):							
Return on shareholders' equity (ROE)	**8.5**	9.2	9.8	—	5.2	7.3	
Return on assets (ROA)	**1.8**	2.1	2.2	—	1.2	1.7	
Shareholders' equity ratio	**19.4**	23.1	22.7	21.9	23.0	22.5	
TRANSACTION VOLUME: NON-CONSOLIDATED							
Credit-card-related shopping services	**¥2,527,808**	¥2,078,117	¥1,912,211	¥1,808,625	¥1,629,199	¥1,420,243	**$21,518,756**
Shopping loans	**6,952**	9,440	13,368	17,370	19,267	20,771	**59,178**
Guarantees	**62,097**	36,179	31,684	53,434	56,317	14,646	**528,618**
Cash advances and specialty loans	**739,038**	592,359	555,984	600,447	555,132	500,645	**6,291,295**
Agency services	**747,998**	576,270	328,120	398,725	400,026	401,084	**6,367,563**
Leases	**90,011**	82,999	73,665	71,960	51,789	35,192	**766,243**
Merchandise sales	**—**	—	2,763	9,445	9,282	11,678	**—**
Others	**9,794**	8,317	6,605	9,789	9,427	8,914	**83,378**
Total volume of new contracts	**4,183,698**	3,383,681	2,924,399	2,969,794	2,730,438	2,413,174	**35,615,030**

Notes: 1. "Operating revenues" does not include consumption taxes.
2. Treasury stock is deducted from capital. In addition, treasury stock is subtracted from the total number of shares outstanding in computing per share data.
3. "Interest-bearing debt" includes asset-backed securities.
4. Japanese yen amounts have been translated into U.S. dollars at the rate of ¥117.47=U.S.$1, the approximate exchange rate on March 31, 2006, for the convenience of the reader.

The Credit Saison Group generates operating revenues in five segments: Credit & Finance, Entertainment, Real Estate, Lease and Other. Credit & Finance is the largest of these segments. It consists primarily of consumer credit cards and loans to individuals, and accounted for approximately 80 percent of operating revenues in fiscal 2005, the year ended March 31, 2006.

Operating revenues consist primarily of fees from affiliated stores generated by credit card and installment purchases, and customer fees generated by revolving accounts, card cash advance transactions, specialty loans and other transactions. Operating expenses consist primarily of advertising expenses, losses on accounts receivable, personnel expenses, fees and financial costs. Advertising and personnel expenses represent a significant percentage of operating expenses. Overall, these costs are directly related to acquiring new cardholders to generate future revenue growth.

Changes in the Scope of Consolidation

The Credit Saison Group consisted of Credit Saison Co., Ltd. and 11 consolidated subsidiaries as of March 31, 2006. AIC Inc., a subsidiary in the real estate liquidation business, was added to the scope of consolidation during fiscal 2005. The Credit Saison Group had six affiliates accounted for by the equity method as of March 31, 2006, an increase of one from a year earlier as a result of the addition of affiliate Resona Card Co., Ltd. On October 1, 2005, the card issuance business and the member merchant and processing operations of UC CARD Co., Ltd. were separated into two companies. UC CARD Co., Ltd. (member merchant and processing operations) is included among affiliates accounted for by the equity method. UC CARD Co., Ltd. (card issuance business) merged with Credit Saison Co., Ltd. on January 1, 2006 and ceased to operate as a discrete entity. In this annual report, UC CARD Co., Ltd. refers to the card issuance business, unless otherwise specified.

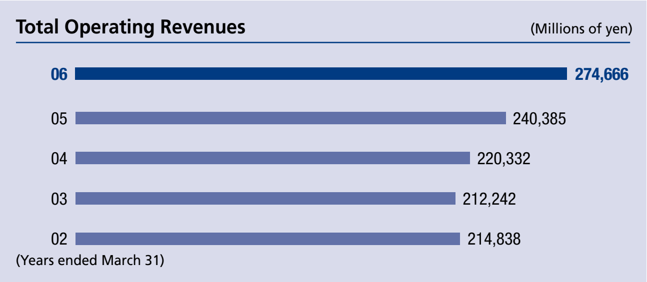
Analysis of Income Statements

Steady economic recovery continued in fiscal 2005, with a continuing increase in capital investment amid strong corporate earnings and solid employment conditions and personal consumption.

Operating revenues increased 14.3 percent year-on-year to ¥274,666 million. Operating income increased 18.7 percent year-on-year to ¥69,575 million. Net income increased 32.7 percent year-on-year to ¥42,220 million.

Operating Revenues and Expenses, and Operating Income

For fiscal 2005, operating revenues increased 14.3 percent, or ¥34,281 million, compared with the previous fiscal year to ¥274,666 million. Expansion in operating revenues centered on the consumer credit businesses of credit cards and loans to individuals in the Credit & Finance segment. Performance was also strong in the Real Estate segment, in which operating revenues increased a substantial 45.4 percent year-on-year to ¥18,361 million.



Operating expenses increased 12.8 percent, or ¥23,296 million, compared with the previous fiscal year to ¥205,091 million. A primary factor was a year-on-year increase of 23.4 percent, or ¥6,580 million, in fees paid as a result of issues including the merger with UC CARD Co. Ltd. In addition, higher transaction volume increased expenses associated with SAISON Permanent Points ("*Eikyufumetsu Point*": a point program that allows customers to accumulate unlimited credit card points and exchange them at any time). Through fiscal 2004, expenses associated with the exchange of points under this program were included in advertising expenses. Beginning with fiscal 2005, however, these expenses are reported as a separate item, provision for point exchange. The result of this change was to reduce advertising and promotion expenses by 25.7 percent year-on-year to ¥18,362 million. In addition, expenses associated with the exchange of points that were included in advertising expenses for fiscal 2004 totaled ¥7,841 million.

The cost of uncollectible receivables, which is included in selling, general and administrative (SG&A) expenses, increased 6.5 percent year-on-year to ¥46,711 million. The merger with UC CARD Co., Ltd. added to growth in receivables, primarily credit card installment accounts receivable. This resulted in an increase in allowance for losses on accounts receivable and allowance for losses on guarantees. However, the number of personal bankruptcies in Japan trended downward and the Credit Saison Group has strengthened initial lending and credit monitoring. As a result, losses on accounts receivable decreased a substantial 81.8 percent year-on-year.

Breakdown of Selling, General and Administrative (SG&A) Expenses

(Millions of yen / %)

Years ended March 31	2006	2005	% change
Cost of uncollectible receivables	¥ 46,711	¥ 43,861	6.5%
Included in above:			
Allowance for losses on accounts receivable	44,276	38,783	14.2
Losses on accounts receivable	694	3,825	(81.8)
Allowance for losses on guarantees	1,741	1,253	38.9
SG&A expenses excluding cost of uncollectible receivables	146,414	128,162	14.2
Included in above:			
Advertising expenses	18,362	24,699	(25.7)
Provision for point exchange	8,418	—	—
Personnel expenses	37,155	32,853	13.1
Fees paid	34,646	28,066	23.4
Total SG&A expenses	¥193,126	¥172,024	12.3%

Financial cost increased 22.5 percent year-on-year to ¥11,965 million. The balance of interest-bearing debt increased, and the Credit Saison Group moved to lengthen maturities and increase the ratio of fixed-rate debt.

As a result, operating income for fiscal 2005 increased 18.7 percent, or ¥10,985 million, compared to the previous fiscal year to ¥69,575 million.

Non-Operating Revenues and Expenses, and Net Income

Non-operating revenues more than doubled to ¥19,944 million because the Credit Saison Group generated gain on sales of investments in subsidiaries and affiliates totaling ¥8,380 million, and net gain on changes in equity interest increased to ¥6,396 million from ¥2,371 million for the previous fiscal year due to an increase in the value of equity interest. Non-operating expenses more than tripled year-on-year to ¥38,724 million, due largely to amortization of goodwill totaling ¥24,857 million in connection with the merger with UC CARD Co., Ltd. Also as a result of the merger, the Credit Saison Group recorded provision for losses on interest repayment totaling ¥2,305 million and provision for losses on receivables totaling ¥3,037 million. Consequently, non-operating loss increased to ¥18,780 million from ¥4,168 million for the previous fiscal year.

As a result, income before income taxes decreased 6.7 percent year-on-year to ¥50,795 million. Provision for income taxes decreased to ¥6,956 million from ¥21,825 million for the previous fiscal year. Consequently, net income increased 32.7 percent, or ¥10,402 million, year-on-year to ¥42,220 million. Net income per share increased to ¥237.29 from ¥185.00 for the previous fiscal year.

Shareholder Returns Policy

Dividend Policy

Credit Saison works to increase shareholder value by investing internal capital resources efficiently to strengthen its corporate structure, reduce operating costs and achieve sustainable growth in its businesses. The Company's fundamental policy regarding distribution of profits is to secure sufficient internal capital resources for the above purposes while providing appropriate, stable and sustainable dividends to shareholders.

Dividends per Share

Based on the above dividend policy, Credit Saison Co., Ltd. increased cash dividends by ¥6.00 to ¥26.00 per share for fiscal 2005. In addition, the Company distributed complimentary SAISON Permanent Points ("*Eikyufumetsu Point*") to shareholders who are SAISON CARD cardholders in proportion to the number of shares held.

Review of Operations by Segment

Credit & Finance

This segment consists of the credit, lending and servicer (loan collection agency) businesses. Segment operating revenues increased 15.5 percent year-on-year to ¥226,597 million. Segment operating income increased 13.5 percent year-on-year to ¥54,694 million.

1. Credit Card Business

Full-scale restructuring of the retail finance industry has become even more pronounced, and the credit card industry's structure is changing significantly. Amid these conditions, several industry and operating environment trends require attention, including the increasingly energetic debate regarding regulatory change and the establishment of reserves for interest repayment. On the other hand, consumer spending is recovering, the use of credit cards to make payments has expanded to areas such as public utilities and medical bills, and the extension of credit through new means such as mobile phones has begun. These and other factors are supporting continued expansion in the credit card market.

In this operating environment, Credit Saison merged with UC CARD Co., Ltd. on January 1, 2006. This added UC CARD's 4.27 million credit card holders (as of January 1, 2006) to Credit Saison's overall total. Moreover, results in the three months following the merger benefited from the addition of UC CARD's credit card transaction volume.

For fiscal 2005, new credit card applications totaled 2.71 million. As of March 31, 2006, the number of cardholders increased 5.89 million from a year earlier to 22.79 million, and the number of active cardholders increased 2.85 million to 11.68 million.

In addition, card shopping transaction volume increased 21.6 percent year-on-year to ¥2,527.8 billion. Cash advance transaction volume increased 19.5 percent year-on-year to ¥618.9 billion. The volume of shopping-related revolving credit contracts increased 22.9 percent year-on-year to ¥218.5 billion. The Credit Saison Group liquidated ¥40.0 billion of these contracts, resulting in a balance of revolving credit contracts receivable totaling ¥178.1 billion as of March 31, 2006. Cash advance and Cash Plus Loan receivables totaled ¥552.0 billion, an increase of 33.4 percent from a year earlier. The Credit Saison Group liquidated ¥30.0 billion of these contracts, resulting in a balance of cash advance and Cash Plus Loan receivables totaling ¥523.3 billion as of March 31, 2006.

Key Initiatives in the Credit Card Business during Fiscal 2005

Alliance Network Expansion and Acquisition of Cardholders

◆ **Growth in Cardholders through Promotion of Strategic Alliances**

Based on the strategic business alliance with Mizuho Financial Group, Inc., Mizuho Bank, Ltd. and UC CARD Co., Ltd., in April 2005 Credit Saison began issuing the "Mizuho Mileage Club Card SAISON," which functions as both an ATM card for Mizuho Bank, Ltd. and a SAISON CARD. As a result, the Credit Saison Group started acquisition of cardholders at bank retail counters, a new channel for

Operating Revenues and Operating Income by Segment (Millions of yen)

	Operating Revenues			Operating Income		
Years ended March 31	**2006**	2005	% change	**2006**	2005	% change
Credit & Finance	**¥226,597**	¥196,221	15.5%	**¥54,694**	¥48,201	13.5%
Entertainment	**17,919**	17,028	5.2	**2,688**	1,358	97.9
Real Estate	**19,300**	13,372	44.3	**9,512**	5,536	71.8
Lease	**7,183**	6,854	4.8	**3,336**	2,636	26.6
Other	**5,135**	8,359	(38.6)	**3,852**	4,404	(12.5)
Total	**276,134**	241,834	14.2	**74,082**	62,135	19.2
Eliminations or corporate	**(1,468)**	(1,449)	—	**(4,507)**	(3,545)	—
Consolidated	**¥274,666**	¥240,385	14.3%	**¥69,575**	¥58,590	18.7%

Note: Operating revenues and operating income of each segment include intersegment operating revenues.

the Group. With the addition of the American Express brand in January 2006, the "Mizuho Mileage Club Card SAISON" now features a lineup of four major international brands including MasterCard, VISA and JCB.

As a result of the merger with UC CARD Co., Ltd., the Credit Saison Group is now the issuer for more than 22 million credit card holders of both the SAISON CARD and UC Card brands. The Credit Saison Group also issues affinity cards for both brands in cooperation with more than 200 alliance partners.

The Credit Saison Group has also begun issuing the "SAISON Platinum American Express Card," a premium card that targets high-status customer segments. This has allowed the Group to approach new customer segments in which it had experienced difficulty acquiring cardholders for the conventional SAISON CARD. The Credit Saison Group also provided consulting services to the Bank of China, which is interested in issuing credit cards to Japanese customers, and began issuing the "Chojo-SAISON Credit Card" to Japanese nationals living in Shanghai, China. This card allows payment in Chinese yuan.

Strengthening Our Business Foundation

◆ **The New "Ubiquitous" Credit Center Begins Full-Scale Operation**

The Credit Saison Group constructed the new Ubiquitous credit center with the aim of improving service and enhancing processing capabilities in the expanding credit card business. Full-scale operations began in April 2005. Ubiquitous provides a single source for all customer credit cycle functions, including application and registration, credit screening, billing, collection and information services, which had been distributed among five locations. This has enabled the Credit Saison Group to respond even more smoothly to customers, and has improved operating efficiency. Moreover, it has allowed the Group to further raise the quality of services provided to customers. The Ubiquitous credit center's "Thanks Call" is representative. Ubiquitous makes Thanks Calls to new cardholders to express gratitude and explain card functions and services. This has increased card usage and expanded the number of active cardholders.

◆ **Brand Awareness and Penetration and Measures to Stimulate Card Usage**

The Credit Saison Group worked to enhance awareness and penetration of SAISON Permanent Points ("*Eikyufumetsu Point*"), which never expire and can be exchanged for items at any time, by building on a popular television commercial in the previous year called "The Giant Swing" that featured an elderly man performing on the horizontal bars. In 2006, the Credit Saison Group put this advertisement on a global stage with versions for Paris and London. Moreover, the Credit Saison Group worked with The Sumitomo Trust & Banking Co., Ltd. to develop a Fixed-Term Deposit with SAISON Permanent Points, which awards points according to card usage each month. In addition, the Credit Saison Group created plans under which cardholders can use their points to obtain the opportunity to participate in events, and added items that allow cardholders to use their points to support international cooperative organizations. Through these and other programs, the Credit Saison Group maximized the differentiation of the SAISON CARD with Saison Permanent Points and thus stimulated card usage.

In conjunction with expansion in new channels in which credit cards can be used for payment, Credit Saison strengthened automatic payments in areas including gas, electricity and other utility bills, and mobile phone bills. Moreover, in cooperation with Saison Automobile and Fire Insurance Co., Ltd., Credit Saison developed and launched a credit card industry first: Automobile Anshin Insurance, an automobile insurance product specifically for cardholders. These were among the products and services the Credit Saison Group developed to stimulate SAISON CARD usage in various lifestyles and situations.

◆ **Thorough Credit Screening**

The Credit Saison Group has been continuously strengthening initial lending and credit monitoring as part of a focus on continuously enhancing the soundness of receivables by strengthening management of receivables risk. At the same time, the Credit Saison Group has been working to extend credit appropriate to each customer by relentlessly working to administer credit in a manner that balances revenues and risk. The delinquency ratio has been trending downward, and the start of operation of the Ubiquitous credit center has enhanced the accuracy of credit screening while improving credit collection capabilities. As a result, the Credit Saison Group is improving the soundness of its receivables.

New Developments and Initiatives

◆ **Responding to the Emergence of Mobile Credit**

A number of new mobile credit services have become available recently, and the Credit Saison Group has been studying them from various perspectives in working to provide services that meet the needs of customers. In addition to joining the Mobile Payment Promotion Association* to promote the diffusion of QUICPay™, the Credit Saison Group formed a business alliance with NTT DoCoMo, Inc., Mizuho Bank, Ltd. and UC CARD Co., Ltd. to promote DoCoMo's iD® credit card brand. These were among the Credit Saison Group's efforts to provide services centered on *Osaifu-Keitai*® (Mobile Wallet). In addition, the SAISON CARD and UC Card can be used to recharge *Edy* electronic money.

◆ **Expansion of Investment-related Services**

Customers are shifting their focus from saving to investing, which is driving expansion in investment-related services. The Credit Saison Group has been opening securities brokerage accounts and selling Japanese government bonds under an agreement with Monex, Inc., and has also entered a new agreement with Toyota Financial Services Securities Corporation. While expanding securities brokerage services, the Credit Saison Group has also entered an agreement with Central Tanshi On-line Trading Co., Ltd. that has resulted in the joint development of SAISON Foreign Exchange, original foreign exchange margin-trading products for SAISON cardholders.

* The Mobile Payment Promotion Association was formed in October 2005 by JCB Co., Ltd. and other credit card companies to promote the rapid diffusion of noncontact mobile payment services and to develop the related infrastructure.

2. Card Loan Business

The Credit Saison Group provides a variety of card loans, including loans through the C-Plan Card and the Cash Reserve Card, the Ladies Loan for working women, and the VIP Loan Card, which bases its appeal on an ample credit limit.

The number of loan cards issued increased 10.0 percent year-on-year to 200 thousand, and the balance of card loans receivable increased 16.7 percent year-on-year to ¥70.2 billion. Moreover, the Credit Saison Group initiated transactions through the new "SAISON Loan Card" in March 2006. This dedicated loan card meets various needs for capital because it offers a wide range of credit limits, with interest rates determined by the creditworthiness of the individual.

3. Other Consumer Loans

In addition to card loans, the Credit Saison Group provides a variety of unsecured consumer loans. These include the Member's Loan for SAISON CARD cardholders. Other consumer loans receivable increased 16.3 percent year-on-year to ¥70.2 billion.

4. Loans

The Credit Saison Group operates in the real estate mortgage loan business with an emphasis on business loans, using its real estate evaluation capabilities, know-how related to real estate liquidation and a network acquired through the real estate distribution business. The balance of loan receivables totaled ¥104.8 million as of March 31, 2006, an increase of 97.1 percent from a year earlier.

5. Credit Guarantee Business

The Credit Saison Group uses close relationships spanning sales and administration in alliances with financial institutions to concentrate on acquiring quality contracts. Transaction volume with both new and existing customers increased substantially during the past fiscal year. Credit guarantee transaction volume increased 91.1 percent year-on-year to ¥71.2 billion.

6. Servicer (Loan Collection Agency) Business

The Credit Saison Group has systematically deployed the skills and know-how in credit collection administration it has acquired over many years to structure a low-cost operating system. In addition, the Group has aggressively entered agreements with firms such as credit card companies and financial institutions in working to expand commissioned business. As a result, the Credit Saison Group has commission contracts with 21 companies, including IY Card Service Co., Ltd. and Kumamoto Family Bank, Ltd.

Entertainment

This segment consists of the amusement business and other operations. In the amusement business, the Credit Saison Group placed priority on creating sound, stable and comfortable facilities that have the support of the regions in which they are located. As a result, operating revenues rose 5.2 percent year-on-year to ¥17,919 million, and operating income increased 97.9 percent year-on-year to ¥2,688 million.

Real Estate

This segment consists of real estate distribution and property management. During fiscal 2005, the Credit Saison Group aggressively acquired properties and strengthened its involvement in development projects to meet market needs in the real estate distribution business. In the real estate fund business, participation in large-scale projects contributed to results. Moreover, the Credit Saison Group added subsidiary AIC Inc. to the scope of consolidation during fiscal 2005 because of its increasing materiality. As a result, segment operating revenues increased 44.3 percent year-on-year to ¥19,300 million, and segment operating income increased 71.8 percent year-on-year to ¥9,512 million.

1. Real Estate Distribution Business

The Credit Saison Group participates in several real estate distribution markets. In the building renovation business, the Group renovates real estate assets acquired at auction and through the conventional real estate distribution market to supply high-value-added products. The servicing business entails acquiring nonperforming loans collateralized by real estate and real estate that collateralized such loans, adding value to them and then selling them. In the real estate fund business, the Credit Saison Group emphasizes development projects in generating stable leasing revenue from income-producing business properties held over the medium-to-long term. Another objective of this business is generating capital gains by selling properties after adding value to them. In the real estate loan guarantee business, the Credit Saison Group generates income from fees and other sources from companies such as financial institutions by appraising real estate and guaranteeing obligations.

2. Property Management Business

The Credit Saison Group leases space to tenants in properties that it owns, and subleases properties that it manages and administers on behalf of property owners.

Lease

The overall leasing market grew marginally compared to the previous fiscal year. The Credit Saison Group continued to expand this business through its strategy of emphasizing specialized markets, primarily in the communication and business equipment sectors. As a result, lease transaction volume increased 8.4 percent year-on-year to a record ¥90.0 billion. Segment operating revenues increased 4.8 percent year-on-year to ¥7,183 million, and segment operating income increased 26.6 percent year-on-year to ¥3,336 million.

The Specific Commercial Transaction Law has been amended against a background of problems with lease transactions stemming from the inappropriate sales methods of some sales companies. Centered on the Japan Leasing Association, the Credit Saison Group and other lease companies are taking steps such as strengthening administration and training at sales offices in working to restore the trust of the market.

Other

This segment includes mail-order sales and other operations. Operating revenues decreased in the mail-order sales business because the Credit Saison Group transferred sales activities to an external company. As a result, segment operating revenues decreased 38.6 percent year-on-year to ¥5,135 million, and segment operating income decreased 12.5 percent year-on-year to ¥3,852 million.

Note: The Credit Saison Group does not present geographic segment information because no consolidated subsidiaries or branches are located outside Japan.

Liquidity and Financial Position

Fund Procurement and Liquidity Management

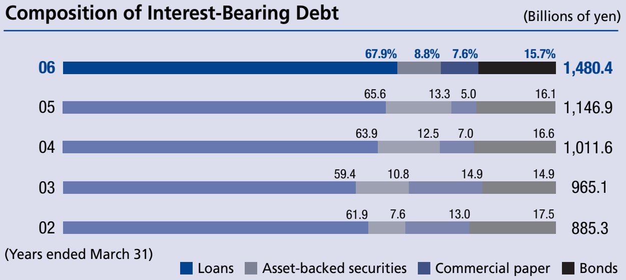
The Credit Saison Group emphasizes low cost and stability in procuring funds, and works to diversify fund procurement methods. The Group primarily procures funds from banks, farming- and forestry-related financial institutions, life insurance companies and non-life insurance companies. In addition, the Credit Saison Group procures funds indirectly through syndicated loans and committed lines of credit. The Group also procures funds directly by issuing corporate bonds, convertible bonds and commercial paper (CP), and also liquidates card shopping receivables, cash advance receivables and lease receivables.

As of March 31, 2006, interest-bearing debt, including ¥70.0 billion in asset-backed securities accounted for as off-balance-sheet transactions, totaled ¥1,480.4 billion. Of this total, loans accounted for 67.9 percent, bonds accounted for 15.7 percent, CP accounted for 7.6 percent, and asset-backed securities accounted for 8.8 percent.

While continuing to maintain relationships with existing lenders, the Credit Saison Group is working to lower refinancing risk and reduce costs in ways such as initiating relationships with new lenders to diversify funding sources. In addition, the Credit Saison Group is also reducing liquidity risk and lowering costs by employing new direct fund procurement methods other than bonds and CP. These methods include liquidating receivables, an approach that is not influenced by the Group's financial condition.

Credit Saison Co., Ltd. has obtained credit ratings to support smooth fund raising. Rating and Investment Information, Inc., a Japanese credit rating agency, maintains an A+ issuer rating on Credit Saison, and a credit rating of a-1 on Credit Saison's short-term debt. In addition, although we did not request it, Standard & Poor's (S&P) gave Credit Saison an A- rating.

Composition of Interest-Bearing Debt



Receivables, primarily associated with the credit card business, account for 72.1 percent of the Credit Saison Group's assets. With an average annual receivables turnover rate of 3 times, the Credit Saison Group maintains a high level of liquidity.

Cash Flow

Net Cash Used in Operating Activities

Net cash used in operating activities totaled ¥99,343 million, more than triple the level of the previous fiscal year. Favorable business conditions resulted in income before income taxes of ¥50,795 million. Depreciation and amortization, a non-cash item, totaled ¥51,746 million. Trade receivables increased ¥187,686 million due to growth in transaction volume in the credit card business.

Net Cash Used in Investing Activities

Net cash used in investing activities increased 4.5 percent year-on-year to ¥118,806 million. Payments for purchases of property and equipment and other assets used cash totaling ¥92,803 million for reasons including the acquisition of lease assets. In addition, payments for purchases of investment securities, including shares of UC CARD Co., Ltd., totaled ¥49,463 million. Proceeds from sales or redemption of investment securities, including shares of Atrium Co., Ltd., totaled ¥22,020 million. In addition, the merger with UC CARD Co., Ltd. resulted in proceeds from merger with affiliated company by the equity method totaling ¥2,398 million.

Net Cash Provided by Financing Activities

Net cash provided by financing activities increased 92.8 percent year-on-year to ¥229,876 million. As a result of the Credit Saison Group's emphasis on stable medium- and long-term fund procurement, proceeds from long-term debts totaled ¥236,003 million and proceeds from issuance of bonds totaled ¥79,523 million. Decrease in short-term debts used cash totaling ¥81,091 million, and repayment of long-term debts used cash totaling ¥74,441 million.

As a result of the above, cash and cash equivalents at the end of the year increased ¥12,006 million from a year earlier to ¥66,314 million. Beginning with fiscal 2005, subsidiary AIC Inc. has been added to the scope of consolidation because of its increasing materiality. This had the effect of increasing cash and cash equivalents as of March 31, 2006 by ¥255 million. The Credit Saison Group will continue working to enhance internal capital resources, and will use internal capital resources to invest in business opportunities that arise from the Group's main strategic alliances.

Assets, Liabilities and Shareholders' Equity

As of March 31, 2006, total assets increased ¥549,786 million, or 36.3 percent, from a year earlier to ¥2,062,735 million.

Current assets increased ¥514,908 million, or 44.6 percent, from a year earlier to ¥1,669,435 million. Primary factors included an increase in trade receivables resulting from the increase in credit card transaction volume. In addition, growth in loans purchased and real estate for sale resulted in an increase in inventories. The Credit Saison Group liquidated ¥40.0 billion in revolving card shopping receivables and ¥30.0 billion in cash advance receivables, which moved them off the balance sheet.

Property and equipment increased ¥14,203 million, or 7.6 percent, from a year earlier to ¥199,940 million. A primary factor was an increase of ¥13,300 million in the net book value of equipment for lease compared to the previous fiscal year-end. Investments and other assets increased ¥20,675 million, or 12.0 percent, from a year earlier to ¥193,360 million. The primary factor was an increase of ¥11,387 million in deferred income taxes.

As of March 31, 2006, total liabilities increased ¥477,831 million, or 39.6 percent, from a year earlier to ¥1,685,546 million.

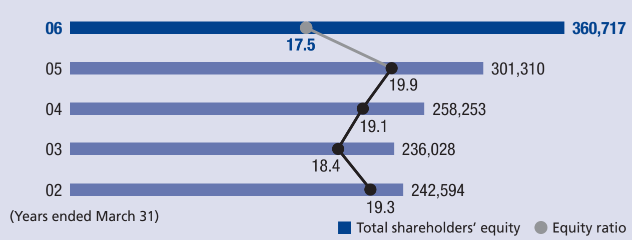
Current liabilities increased ¥189,448 million, or 26.7 percent, from a year earlier to ¥900,170 million. Primary factors included increases in notes and accounts payable, short-term loans and commercial paper. Beginning with fiscal 2005, the Credit Saison Group began recording allowance for losses on business downsizing and allowance for losses on interest repayment, which totaled ¥352 million and ¥2,305 million, respectively.

Long-term liabilities increased ¥288,383 million, or 58.0 percent, from a year earlier to ¥785,376 million. Long-term debt increased ¥258,724 million, or 53.8 percent, from a year earlier to ¥739,822 million.

As a result, interest-bearing debt on the balance sheet increased ¥383,452 million, or 37.3 percent, from a year earlier to ¥1,410,380 million. Including ¥70.0 billion in asset-backed securities accounted for as off-balance-sheet transactions, interest-bearing debt totaled ¥1,480,380 million.

Shareholders' equity increased ¥59,408 million, or 19.7 percent, from a year earlier to ¥360,717 million. The ratio of shareholders' equity to total assets was 17.5 percent, compared with 19.9 percent a year earlier. Return on average total shareholders' equity (ROE) increased to 12.8 percent from 11.4 percent a year earlier.

Total Shareholders' Equity and Equity Ratio (Millions of yen / %)



Credit Risk

Receivables (the balance of installment accounts receivable plus the balance of contingent liabilities related to the credit and finance businesses and leasing receivables due before the balance sheet date) overdue by more than 90 days increased 4.9 percent compared to a year earlier to ¥43,521 million. The allowance for losses on receivables increased 40.3 percent from a year earlier to ¥58,189 million. Consequently, the ratio of allowance for losses on receivables to receivables overdue by more than 90 days (excluding the collateralized portion) included in current assets was 138.9 percent, compared to 121.9 percent at the previous fiscal year-end.

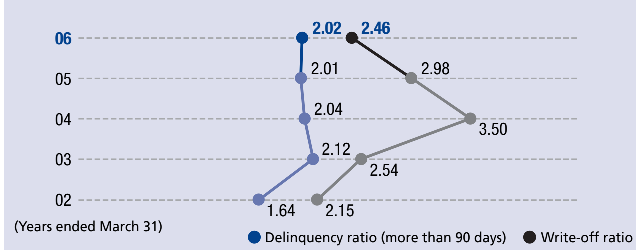
Comparison of Overdue Receivables and Allowance for Losses on Receivables to Receivables (Millions of yen / %)

As of March 31	2006	2005	% change
(1) Receivables	¥1,861,829	¥1,413,266	31.7%
(2) Receivables overdue by more than 90 days	43,521	41,495	4.9
(3) Collateralized portion included in (2)	1,626	7,476	(78.2)
(4) Allowance for losses on receivables included in current assets	58,189	41,484	40.3
Receivables overdue by more than 90 days as a percentage of receivables [(2) ÷ (1)]	2.3%	2.9%	—
Ratio of allowance of losses on receivables to receivables overdue by more than 90 days [(4) ÷ ((2) – (3))]	138.9%	121.9%	—
(Reference) Receivables overdue by more than 90 days excluding collateralized portion as a percentage of receivables [((2) – (3)) ÷ (1)]	2.3%	2.4%	—

Overview of Allowance for Losses on Receivables (Millions of yen / %)

As of March 31	2006	2005	% change
Allowance for losses on receivables at the beginning of the year	¥46,969	¥39,246	19.7%
Increase	60,581	39,870	51.9
Decrease (Reversal)	41,603	32,147	29.4
Allowance for losses on receivables at the end of the year	65,948	46,969	40.4
(Reference) Losses on receivables	694	3,825	(81.8)

Delinquency Ratio (More than 90 Days) and Write-off Ratio: Non-consolidated (%)



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 March 31, 2006.

1. Operating Conditions

Results and financial position in the Credit Saison Group's primary Credit and Finance business 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, affect or 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 cost of uncollectible receivables. Recently, an increasing number of individuals have assumed substantial loan and credit card obligations from multiple financial institutions. This problematic economic situation also has the potential to affect Group results. Small and medium-sized companies are the principal customer group of the Lease segment. Factors contingent upon economic conditions, including contraction in capital expenditures and deteriorating corporate performance, have the potential to negatively impact operating revenues, losses on receivables and other results as well as financial position.

2. Changes in Cost of Funds

Changes in financial conditions and 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 financial position. Changes in interest rates on loans and other instruments are impacted by a wide array of considerations. These include the maximum interest rates and fees as prescribed by the Law

Concerning the Regulation of Receiving of Capital Subscription, Deposits and Interest on Deposits (the Capital Subscription Law) and other regulations, which may mandate that the Credit Saison Group operate below the maximum allowable limits; 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 substantial deregulation in recent years, which has resulted in energetic restructuring of the retail financial services industry. Large mergers in the credit card industry, 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 Performance among Primary Alliance Partners

In the credit card business, the Credit Saison Group has agreements including affinity card issuance and member store contracts with numerous companies and organizations. Unfavorable performance 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 approximately 50 percent of new cardholders through the outlets of alliance partners in the retailing industry. Reduced ability to attract customers or lower sales among these companies has the potential to negatively impact the Credit Saison Group's operating revenues. In addition, the Credit Saison Group has capital relationships with a number of its alliance partners. Unfavorable performance 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 card 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 overload due to factors such as system errors or spikes in access caused by Group or counterparty hardware or software problems; breakdown 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 cardholders and others, and implements appropriate controls throughout the Group. However, based on the Private Information Protection Law, incidents such as leakage or illegal use of this information are regulatory violations that could result in administrative guidance, orders or fines. 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 Law, the Money-Lending Business Control and Regulation Law, the Capital Subscription Law and other laws. Circumstances arising from amendments to or changes in the interpretation of these laws in the future would have the potential to negatively impact the Credit Saison Group's operations, 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.

Moreover, the portion of interest that is higher than the interest rate ceiling set by the Interest Rate Restriction Law can be deemed invalid and may be subject to claims for reimbursement. Future regulatory revisions or regulatory trends that unexpectedly expanded such reimbursement claims would have the potential to negatively impact the Credit Saison Group's performance and financial position.

8. 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 incur 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 incur evaluation losses.

9. Retirement Benefit Obligations

A decrease in the fair value of the assets in the pension plans of the Credit Saison Group and changes in the actuarial assumptions used to calculate retirement benefit obligations have the potential to negatively impact the Credit Saison Group's results and financial position.

Outlook for the Year Ending March 31, 2007

The Credit Saison Group is working to enhance the services it provides to support various customer lifestyles and further raise convenience for its customers by energetically promoting innovation based on a thorough commitment to customer satisfaction. During fiscal 2006, the year ending March 31, 2007, the Credit Saison Group expects the ongoing restructuring of the credit card industry to accelerate. The Group must maximize the synergy effect of the merger with UC CARD Co., Ltd. and make progress in integrating the services offered by the SAISON CARD and the UC Card. The Group will also work to increase corporate and shareholder value by developing the various strategic alliances it has created to respond appropriately to its changing market.

In addition, the Credit Saison Group will begin a new five-year medium-term management plan during fiscal 2006. Based on this plan, the Group will work to expand existing businesses. Moreover, the Group will focus on areas that exhibit synergy with the credit card business to expand operations as a leading-edge service provider with the aim of becoming Japan's number-one finance company.

Based on the above, the Credit Saison Group's consolidated performance objectives for the year ending March 31, 2007, as announced on May 18, 2006, are operating revenues of ¥328.0 billion, operating income of ¥74.0 billion and net income of ¥39.0 billion.

Consolidated Balance Sheets

CREDIT SAISON CO., LTD. and Consolidated Subsidiaries
As of March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	**2006**
ASSETS			
Current Assets:			
Cash and deposits	**¥ 66,314**	¥ 54,308	**$ 564,522**
Receivables:			
Notes and installment accounts receivable (Note 4)	**1,487,473**	1,023,096	**12,662,576**
Short-term loans	**1,027**	15,126	**8,743**
Less: Allowance for losses on receivables	**(58,189)**	(41,484)	**(495,353)**
	1,430,311	996,738	**12,175,966**
Inventories	**122,268**	70,021	**1,040,842**
Deferred income taxes (Note 10)	**10,619**	17,902	**90,395**
Prepaid expenses and other current assets	**39,923**	15,558	**339,856**
Total current assets	**1,669,435**	1,154,527	**14,211,581**
Property and Equipment, at Cost:			
Equipment for lease (Note 7)	**260,441**	232,246	**2,217,087**
Buildings and improvements	**36,051**	36,667	**306,893**
Fixtures and equipment	**26,958**	27,271	**229,491**
	323,450	296,184	**2,753,471**
Less: Accumulated depreciation	**(131,760)**	(116,823)	**(1,121,649)**
	191,690	179,361	**1,631,822**
Land	**8,250**	6,376	**70,233**
Total property and equipment	**199,940**	185,737	**1,702,055**
Investments and Other Assets:			
Investment securities (Note 8)	**103,005**	98,612	**876,857**
Long-term loans	**29,909**	29,324	**254,613**
Intangible assets	**29,453**	19,951	**250,730**
Lease deposits	**8,760**	8,606	**74,575**
Deferred income taxes (Note 10)	**16,610**	5,223	**141,400**
Other	**13,764**	16,455	**117,166**
Less: Allowance for losses on receivables	**(7,759)**	(5,486)	**(66,053)**
Less: Allowance for losses on investment securities	**(382)**	—	**(3,249)**
Total investments and other assets	**193,360**	172,685	**1,646,039**
Total assets	**¥2,062,735**	¥1,512,949	**$17,559,675**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2005	2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term loans (Note 6)	¥ 470,858	¥ 389,526	$ 4,008,319
Current portion of long-term debt (Note 6)	86,700	99,304	738,063
Commercial paper	113,000	57,000	961,948
Notes and accounts payable	180,222	102,511	1,534,190
Accrued taxes on income	7,097	13,213	60,419
Unearned income	4,244	3,388	36,131
Accrued employees' bonuses	2,256	1,740	19,208
Allowance for losses on business downsizing	352	—	2,999
Allowance for losses on interest repayment	2,305	—	19,622
Accrued expenses and other current liabilities	33,136	44,040	282,079
Total current liabilities	900,170	710,722	7,662,978
Long-Term Liabilities:			
Long-term debt (Note 6)	739,822	481,098	6,297,961
Accrued pension and severance costs (Note 9)	7,404	7,121	63,026
Accrued retirement benefits to directors and statutory auditors	855	796	7,279
Allowance for losses on guarantees	1,741	1,253	14,821
Allowance for losses on warranty of defects	35	59	298
Allowance for losses on point program	29,023	—	247,067
Consolidation adjustments	194	488	1,654
Other	6,302	6,178	53,651
Total long-term liabilities	785,376	496,993	6,685,757
Minority Interests in Consolidated Subsidiaries	16,472	3,924	140,222
Commitments and Contingent Liabilities (Note 14)			
Shareholders' Equity (Note 15):			
Common stock	74,459	69,526	633,852
Additional paid-in capital	78,176	73,148	665,503
Retained earnings	194,180	155,101	1,653,017
Unrealized gains on other securities	18,057	7,264	153,720
	364,872	305,039	3,106,092
Less: Treasury stock, at cost	(4,155)	(3,729)	(35,374)
Total shareholders' equity	360,717	301,310	3,070,718
Total liabilities and shareholders' equity	¥2,062,735	¥1,512,949	$17,559,675

Consolidated Statements of Income

CREDIT SAISON CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2006, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2006	2005	2004	**2006**
Operating Revenues (Note 12):				
Financing and administration fees	**¥214,450**	¥183,618	¥174,963	**$1,825,572**
Income from entertainment business	**17,884**	16,990	15,605	**152,244**
Income from real estate business	**18,361**	12,632	10,180	**156,306**
Income from lease business	**7,143**	6,803	5,526	**60,807**
Other income	**4,838**	8,083	7,487	**41,183**
Financial income	**11,990**	12,259	6,571	**102,070**
Total operating revenues	**274,666**	240,385	220,332	**2,338,182**
Operating Expenses:				
Selling, general and administrative expenses	**193,126**	172,024	156,502	**1,644,042**
Financial cost	**11,965**	9,771	9,825	**101,857**
Total operating expenses	**205,091**	181,795	166,327	**1,745,899**
Operating Income	**69,575**	58,590	54,005	**592,283**
Non-Operating Revenues:				
Gain on sales of investments in subsidiaries and affiliates	**8,380**	—	—	**71,339**
Net gain on changes in equity interest	**6,396**	2,371	—	**54,442**
Equity in earnings of affiliated companies by the equity method	**1,671**	—	—	**14,228**
Other	**3,497**	5,027	1,992	**29,769**
Total non-operating revenues	**19,944**	7,398	1,992	**169,778**
Non-Operating Expenses:				
Amortization of goodwill	**24,857**	—	—	**211,605**
Loss on evaluation of investment securities	**3,419**	4,783	999	**29,108**
Impairment loss of property and equipment, and other assets (Note 11)	**80**	1,156	7,570	**677**
Equity in losses of affiliated companies by the equity method	**—**	1,840	1,069	**—**
Provision for losses on interest repayment	**2,305**	—	—	**19,622**
Provision for losses on receivables	**3,037**	—	—	**25,854**
Other	**5,026**	3,787	5,850	**42,784**
Total non-operating expenses	**38,724**	11,566	15,488	**329,650**
Non-Operating Income (Loss)	**(18,780)**	(4,168)	(13,496)	**(159,872)**
Income before Income Taxes	**50,795**	54,422	40,509	**432,411**
Income Taxes (Note 10):				
Current	**(16,375)**	(23,238)	(23,928)	**(139,401)**
Deferred	**9,419**	1,413	5,906	**80,181**
Income before Minority Interests	**43,839**	32,597	22,487	**373,191**
Minority interest in income of consolidated subsidiaries	**1,619**	779	67	**13,782**
Net Income	**¥ 42,220**	¥ 31,818	¥ 22,420	**$ 359,409**

	Yen			U.S. dollars (Note 2)
	2006	2005	2004	**2006**
Per Share Data				
Net assets	**¥2,014.20**	¥1,721.35	¥1,519.13	**$17.147**
Net income, basic	**237.29**	185.00	130.55	**2.020**
Net income, diluted	**220.65**	180.21	127.79	**1.878**
Dividends	**26.00**	20.00	18.00	**0.221**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

CREDIT SAISON CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2006, 2005 and 2004

		Millions of yen				
	Number of shares of common stock issued (thousands)	Common stock	Additional paid-in capital	Retained earnings	Unrealized gains (losses) on other securities	Treasury stock
Balance at March 31, 2003	171,410	¥63,337	¥66,788	¥107,687	¥ (938)	¥ (846)
Net income for the year ended March 31, 2004	—	—	—	22,420	—	—
Cash dividends	—	—	—	(3,076)	—	—
Directors' and statutory auditors' bonuses	—	—	—	(160)	—	—
Decrease resulting from inclusion of subsidiaries in the scope of consolidation	—	—	—	(152)	—	—
Gain on sale of treasury stock	—	—	16	—	—	—
Conversion of convertible bonds	315	331	330	—	—	—
Accumulated changes in fair value	—	—	—	—	5,624	—
Net increase in treasury stock	—	—	—	—	—	(3,108)
Balance at March 31, 2004	171,725	63,668	67,134	126,719	4,686	(3,954)
Net income for the year ended March 31, 2005	—	—	—	31,818	—	—
Cash dividends	—	—	—	(3,058)	—	—
Directors' and statutory auditors' bonuses	—	—	—	(171)	—	—
Decrease resulting from inclusion of affiliated companies in the scope of consolidation	—	—	—	(207)	—	—
Gain on sale of treasury stock	—	—	160	—	—	—
Conversion of convertible bonds	3,238	3,393	3,389	—	—	—
Execution of stock option	1,656	2,465	2,465	—	—	—
Accumulated changes in fair value	—	—	—	—	2,578	—
Net decrease in treasury stock	—	—	—	—	—	225
Balance at March 31, 2005	176,619	69,526	73,148	155,101	7,264	(3,729)
Net income for the year ended March 31, 2006	**—**	**—**	**—**	**42,220**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**(3,498)**	**—**	**—**
Directors' and statutory auditors' bonuses	**—**	**—**	**—**	**(174)**	**—**	**—**
Increase resulting from inclusion of subsidiaries in the scope of consolidation	**—**	**—**	**—**	**310**	**—**	**—**
Increase resulting from merger of affiliated company accounted for by the equity method	**—**	**—**	**—**	**221**	**—**	**—**
Gain on sale of treasury stock	**—**	**—**	**99**	**—**	**—**	**—**
Execution of stock option	**4,098**	**4,933**	**4,929**	**—**	**—**	**—**
Accumulated changes in fair value	**—**	**—**	**—**	**—**	**10,793**	**—**
Net increase in treasury stock	**—**	**—**	**—**	**—**	**—**	**(426)**
Balance at March 31, 2006	**180,717**	**¥74,459**	**¥78,176**	**¥194,180**	**¥18,057**	**¥(4,155)**

		Thousands of U.S. dollars (Note 2)				
	Number of shares of common stock issued (thousands)	Common stock	Additional paid-in capital	Retained earnings	Unrealized gains (losses) on other securities	Treasury stock
Balance at March 31, 2005	176,619	$591,864	$622,697	$1,320,346	$ 61,833	$(31,749)
Net income for the year ended March 31, 2006	**—**	**—**	**—**	**359,409**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**(29,781)**	**—**	**—**
Directors' and statutory auditors' bonuses	**—**	**—**	**—**	**(1,481)**	**—**	**—**
Increase resulting from inclusion of subsidiaries in the scope of consolidation	**—**	**—**	**—**	**2,644**	**—**	**—**
Increase resulting from merger of affiliated company accounted for by the equity method	**—**	**—**	**—**	**1,880**	**—**	**—**
Gain on sale of treasury stock	**—**	**—**	**841**	**—**	**—**	**—**
Execution of stock option	**4,098**	**41,988**	**41,966**	**—**	**—**	**—**
Accumulated changes in fair value	**—**	**—**	**—**	**—**	**91,887**	**—**
Net increase in treasury stock	**—**	**—**	**—**	**—**	**—**	**(3,625)**
Balance at March 31, 2006	**180,717**	**$633,852**	**$665,503**	**$1,653,017**	**$153,720**	**$(35,374)**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

CREDIT SAISON CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2006, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2006	2005	2004	2006
Cash Flows from Operating Activities:				
Income before income taxes	¥ 50,795	¥ 54,422	¥ 40,509	$ 432,411
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:				
Depreciation and amortization	51,746	43,272	37,501	440,502
Increase (decrease) in allowance for losses on receivables	6,962	7,723	3,510	59,266
Increase (decrease) in accrued pension and severance costs	(173)	(277)	929	(1,473)
Increase (decrease) in allowance for losses on point program	6,630	—	—	56,440
Increase (decrease) in allowance for losses on interest repayment	2,305	—	—	19,622
Increase (decrease) in allowance for other reserves	1,671	503	43	14,225
Interest and dividends receivable	(12,416)	(10,778)	(5,978)	(105,693)
Interest expenses	12,200	10,448	9,892	103,854
Equity in (earnings) losses of affiliated companies by the equity method	(1,671)	1,840	1,069	(14,228)
Amortization of goodwill	24,857	—	—	211,605
Foreign currency exchange (gain) loss	152	(135)	(22)	1,292
Realized (gain) loss on investment securities	(8,946)	(725)	92	(76,153)
(Gain) loss on evaluation of investment securities	3,419	4,783	999	29,108
Net (gain) loss on changes in equity interest	(6,395)	(2,371)	—	(54,442)
Impairment loss of property and equipment, and other assets	80	1,156	7,570	677
Loss on disposal of property and equipment, and other assets	18,971	17,513	13,920	161,495
Changes in operating assets and liabilities:				
(Increase) decrease in trade receivables	(187,686)	(146,655)	(88,980)	(1,597,737)
Proceeds from liquidation of trade receivables	—	30,000	30,000	—
(Increase) decrease in inventories	(35,915)	(16,397)	(6,065)	(305,739)
(Increase) decrease in other assets	(12,595)	(762)	10,945	(107,223)
Increase (decrease) in payables	7,249	8,323	(2,305)	61,712
Increase (decrease) in other liabilities	1,192	7,414	6,738	10,151
Directors' and statutory auditors' bonuses	(184)	(174)	(163)	(1,564)
Subtotal	(77,752)	9,123	60,204	(661,892)
Interest and dividends received	12,678	10,545	5,962	107,923
Interest paid	(11,684)	(10,091)	(10,026)	(99,460)
Income taxes paid	(22,585)	(34,291)	(1,094)	(192,258)
Net Cash Provided by (Used in) Operating Activities	(99,343)	(24,714)	55,046	(845,687)
Cash Flows from Investing Activities:				
Payments for purchases of investment securities	(49,463)	(29,504)	(7,965)	(421,067)
Proceeds from sales or redemption of investment securities	22,020	4,912	22,618	187,452
Payments for purchases of property and equipment, and other assets	(92,803)	(91,698)	(74,047)	(790,020)
Proceeds from sales of property and equipment, and other assets	517	1,467	1,937	4,404
Payments for short-term and long-term loans	(2,490)	(4,701)	(9,761)	(21,197)
Proceeds from short-term and long-term loans	1,496	7,757	679	12,732
Proceeds from merger with affiliated company by the equity method	2,398	—	—	20,417
(Increase) decrease in other assets	(481)	(1,881)	(2,164)	(4,097)
Net Cash Provided by (Used in) Investing Activities	(118,806)	(113,648)	(68,703)	(1,011,376)
Cash Flows from Financing Activities:				
Increase (decrease) in short-term debts	(81,091)	12,402	30,764	(690,320)
Increase (decrease) in commercial paper	56,000	(14,000)	(73,000)	476,717
Proceeds from long-term debts	236,003	117,020	68,795	2,009,051
Repayment of long-term debts	(74,441)	(23,817)	(26,059)	(633,701)
Proceeds from issuance of bonds	79,523	43,968	64,724	676,968
Repayment of bonds	(32,493)	(20,462)	(40,200)	(276,603)
Proceeds from payables under securitized lease receivables	30,000	—	—	255,384
Repayment of payables under securitized lease receivables	(3,000)	(3,127)	(8,217)	(25,538)
Proceeds from issuance of new stock	9,862	4,931	—	83,954
Proceeds from minority shareholders	12,811	5,003	62	109,059
Proceeds from sales of treasury stock	308	428	110	2,618
Purchases of treasury stock	(20)	(22)	(3,089)	(167)
Cash dividends paid	(3,498)	(3,058)	(3,076)	(29,781)
Cash dividends paid to minorities	(88)	(5)	—	(752)
Net Cash Provided by (Used in) Financing Activities	229,876	119,261	10,814	1,956,889
Translation Gain (Loss) on Cash and Cash Equivalents	24	(12)	(91)	207
Increase (Decrease) in Cash and Cash Equivalents	11,751	(19,113)	(2,934)	100,033
Cash and Cash Equivalents at the Beginning of Year	54,308	73,421	75,725	462,312
Increase in Cash and Cash Equivalents Resulting from Addition of Subsidiaries to the Scope of Consolidation	255	—	630	2,177
Cash and Cash Equivalents at the End of Year	¥ 66,314	¥ 54,308	¥ 73,421	$ 564,522

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

CREDIT SAISON CO., LTD. and Consolidated Subsidiaries

1. BASIS OF PREPARATION OF FINANCIAL STATEMENT

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 Commercial Code of Japan and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan and Financial Statement Regulations (ordinances promulgated by the Ministry of Finance), which are different from International Accounting Standards in certain respects as to application and disclosure requirements.

Certain items presented in the consolidated financial statements filed with the Ministry of Finance have been reclassified in these accounts for the convenience of readers outside Japan. The consolidated financial statements are not intended to present the consolidated financial positions, results of operation and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. U.S. DOLLAR AMOUNTS

Japanese yen amounts have been translated into U.S. dollars at the rate of ¥117.47=U.S.$1, the approximate exchange rate on March 31, 2006, for the convenience of the reader. These translations should not be construed as representations that Japanese yen amounts actually represent, have been or could be converted into, U.S. dollars at this or any other rate.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation and accounting for investments in affiliated companies

As at March 31, 2006, the consolidated financial statements include the accounts of the Company and its eleven (ten for 2005) material subsidiaries. Effective from the beginning of the year ended March 31, 2006, AIC Inc. has been included in the scope of consolidation in light of the increased materiality to the overall group of this Company.

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

The investments in six (five for 2005) material affiliates are accounted for by the equity method. Effective from the beginning of the latter half of the year ended March 31, 2006, Resona Card Co., Ltd. has been included in these affiliates due to additional acquisition of equity.

The previous UC CARD Co., Ltd. was divided into UC CARD Co., Ltd. (card issuance business) and UC CARD Co., Ltd. (member merchant and processing company), effective October 1, 2005. The latter company has been included in the affiliates and the former company was merged into the Company, effective January 1, 2006.

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

The full portion of the assets and liabilities of the consolidated subsidiaries is marked to fair value as of the acquisition of control, and any differences between net assets at fair value and the investment amounts are recognized as goodwill (consolidation adjustments), which is amortized equally over five years on a straight-line basis.

(b) Financial instruments

The Companies adopted Japanese accounting standards for financial instruments.

i. Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, 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 stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise.

Held-to-maturity debt securities that the Companies intend to hold to maturity are stated at cost after accounting for premiums or discounts on acquisition, which are amortized over the period to maturity.

Investments of the Companies 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 "other securities." Other securities that have market prices are stated at fair value, and the cumulative change in fair value is not credited or charged to income, but net unrealized gains or losses on these securities are reported as a separate item in shareholders' equity at a net-of-tax amount.

Other securities that do not have market prices are stated at cost using the moving-average method. Equities of limited liability partnerships for investment business and of other similar partnerships (defined as "securities" by Article 2 Section 2 of the Securities and Exchange Law) are valued at the net equity equivalent based on the recently available financial statements of the partnerships 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 other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to fair value, and the resulting loss is included in net profit or loss for the period.

Other securities held by the Companies at the year-ends are all presented as "non-current."

iii. Hedge accounting

Derivatives used as hedging instruments by the Companies are principally interest rate swaps and currency swaps. The related hedged items are bank loans and debt securities issued by the Companies.

The Companies use interest rate swaps and currency swaps to manage their exposure to fluctuations in interest rates and foreign exchanges. The Companies do not enter into derivatives for speculative purposes.

As per the accounting standard for derivative financial instruments, a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income, and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

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

(c) Inventories

Inventories are stated at cost determined principally by the specific identification method.

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

(d) Property and equipment

Depreciation of property and equipment is computed principally by the straight-line method over the estimated useful lives of the assets, except for equipment for lease, which is depreciated over the lease term.

(e) Intangible assets

Intangible assets are amortized by the straight-line method over the useful lives specified by the Japanese Income Tax Law, except for software, of which useful life is estimated at five years by the Companies. Goodwill acquired during the year ended March 31, 2006 was charged to income at the time of acquisition under the enforcement law of the Commercial Code of Japan.

(f) Leased properties

Finance leases are accounted for as operating leases, except where the lease is deemed to transfer ownership of the leased property to the lessee.

(g) Allowance for losses on receivables

Receivables 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 provide collectively a general reserve for substandard and normal receivables, applying a ratio determined based on the Companies' loan loss experience.

(h) Accrued employees' bonuses

Accrued employees' bonuses are provided at the estimated amounts, which are to be paid for services rendered prior to the year-end.

(i) Allowance for losses on business downsizing

Allowance for losses on business downsizing is provided at the estimated amount required to discontinue certain operations of consolidated subsidiaries.

(j) Allowance for losses on interest repayment

Formerly, refund of interest on loans to customers was charged to income at the time of payment. Effective from the year ended March 31, 2006, reflecting expansion of interest repayment allowance for losses on interest repayment is provided at the estimated amount based on payment experience, required to refund upon customers' legal claims.

The effect of this change was to decrease income before income taxes by ¥2,305 million (US$19,622 thousand) for the year ended March 31, 2006.

(k) Allowance for losses on investment securities

Allowance for losses on investment securities is provided for losses on investments in subsidiaries and affiliated companies based on their financial conditions.

(l) Accrued pension and severance costs

Accrued pension and severance costs are provided for employees' retirement benefits based on the projected benefit obligation and the fair value of pension plan assets at the end of the fiscal year.

Unfunded past service cost and actuarial differences of the plans are being amortized over a period of nine to eleven years, within the average remaining service period at the time of occurrence. Amortization of unfunded past service cost and amortization of actuarial differences start from occurrence and from the following fiscal year, respectively.

(m) Accrued retirement benefits to directors and statutory auditors

Directors and statutory auditors customarily receive lump-sum payments upon termination of services, subject to shareholders' approval.

The Companies provide for retirement allowances in an amount equal to the total benefits calculated based on the unfunded retirement plan for the directors and statutory auditors.

(n) Allowance for losses on guarantees

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 Company's loss experience to the balance of guarantees outstanding at each year-end.

(o) Allowance for losses on warranty of defects

Allowance for losses on warranty of defects is provided for the potential repair costs on sold real estate (detached houses and store-combined houses) due to the Companies' warranty of defects. The allowance is provided at the amount estimated based on the past experience of repair costs.

(p) Allowance for losses on point program

To stimulate card usage the Company provides card holders with credit card points, which 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 year-end and exchange experience. Formerly, expected cost of usage of credit card points on SAISON CARD was calculated based on points outstanding at year-end and included in accrued expenses. Effective from the year ended March 31, 2006, reflecting the abolition of an expiration date for credit card points on SAISON CARD, the allowance is provided based on estimated usage of card points outstanding at year-end and exchange experience.

The effect of this change was to increase income before income taxes by ¥597 million (US$5,082 thousand) for the year ended March 31, 2006.

Expected cost of usage of credit card points as of March 31, 2005, amounting to ¥20,986 million, is included in accrued expenses in current liabilities on the consolidated balance sheet.

(q) Income taxes

Deferred income 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.

(r) Appropriation of retained earnings

Cash dividends and bonuses to directors and statutory auditors are recorded in the financial year that a proposed appropriation of retained earnings is approved by the General Meeting of Shareholders of the Company.

(s) Changes in presentation of loss on disposal of property and equipment, other assets

Formerly, loss on disposal of casino machines held by the consolidated subsidiary operating Entertainment business was included in non-operating expenses in the consolidated statements of income. Considering recent frequent occurrence of replacement of the machines, the loss is included in selling, general and administrative expenses in the consolidated statements of income, effective from the year ended March 31, 2004. As a result, operating income decreased by ¥1,865 million for the year ended March 31, 2004, but had no effect on income before income taxes.

(t) Impairment loss of property and equipment, and other assets

Effective from the year ended March 31, 2004, under the "Accounting Standard for Impairment of Fixed Assets," fixed assets are reviewed for impairment whenever events or changes in circumstances indicate material change in the carrying amount of an asset. Impairment loss on property and equipment, and other assets amounted to ¥80 million (US$677 thousand), ¥1,156 million and ¥7,570 million for the years ended March 31, 2006, 2005 and 2004, respectively.

(u) Purchased receivables with pledged real estate

Formerly, receivables purchased with pledged real estate were included in installment accounts receivable and possible uncollectible amounts were accounted for as allowance for losses on receivables. Effective from the year ended March 31, 2006, in reconsideration of transactions, the purchased receivables are included in inventories and possible uncollectible amounts were accounted for as inventory evaluation losses. Previously reported figures on the consolidated balance sheet as of March 31, 2005 are reclassified to conform with the current accounting policy.

This change had no effect on income before income taxes for the year ended March 31, 2006.

(v) Supplementary cash flow information

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

The balance of cash and cash equivalents as of March 31, 2006, 2005 and 2004 is reconciled with the respective consolidated balance sheets as follows:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	2006
Consolidated balance sheet:				
Cash and deposits	¥66,314	¥54,308	¥73,421	$564,522
Cash and cash equivalents at end of year	¥66,314	¥54,308	¥73,421	$564,522

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	2006
Non-cash financing activities are as follows:				
Conversion of convertible bonds				
Common stock increased due to conversion of convertible bonds	—	¥ 3,393	¥ 331	—
Additional paid-in capital increased due to conversion of convertible bonds	—	3,389	330	—
Convertible bonds decreased due to conversion	—	6,782	661	—
Acquisition of investment securities by debt to equity swaps	—	—	9,772	—
Acquisition of investment securities by stock for stock and contribution in kind	—	10,231	—	—

Effective as of January 1, 2006, the Company merged with UC CARD Co., Ltd. (card issuance business).

The assets and the liabilities acquired by the merger with UC CARD Co., Ltd. (card issuance business) are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥279,711	$2,381,123
Noncurrent assets	25,000	212,824
Total assets	¥304,711	$2,593,947
Current liabilities	¥238,637	$2,031,471
Noncurrent liabilities	12,224	104,063
Total liabilities	¥250,861	$2,135,534

(w) Reclassification

Certain reclassification of previously reported figures have been made to conform with the current classification.

4. NOTES AND INSTALLMENT ACCOUNTS RECEIVABLE

As of March 31, 2006 and 2005, liquidated revolving receivables and single-payment card shopping receivables were as follows, and the following amounts of trust beneficiary rights generated from liquidation were included in notes and installment accounts receivable.

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Liquidated receivables:			
Revolving card shopping	¥ 40,401	¥40,400	$ 343,923
Single-payment card shopping	—	50,000	—
Revolving card cashing	28,750	28,750	244,745
Trust beneficiary rights:			
Revolving card shopping	¥ 11,120	¥15,811	$ 94,662
Single-payment card shopping	144,687	98,326	1,231,691
Revolving card cashing	17,049	15,515	145,131

5. LOAN COMMITMENTS

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
	2006	2005	**2006**
Total loan limits	**¥7,948,562**	¥5,835,727	**$67,664,613**
Loan executions	**614,051**	467,085	**5,227,300**
	¥7,334,511	¥5,368,642	**$62,437,313**

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

The above amounts include the commitments connected with the liquidated revolving receivables on card cashing.

6. 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 0.60% as of March 31, 2006.

Long-term debt as of March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Average 1.32% mortgage or secured loans from banks, insurance companies and other financial institutions, due in installments through 2016	**¥534,124**	¥362,562	**$4,546,900**
0.22125% (variable) to 1.85% bonds, due in installments through 2016	**232,398**	184,840	**1,978,355**
Average 0.70% on payables under securitized lease receivables*	**60,000**	33,000	**510,769**
Subtotal	**826,522**	580,402	**7,036,024**
Less: Current portion	**(86,700)**	(99,304)	**(738,063)**
	¥739,822	¥481,098	**$6,297,961**

*Payables under securitized lease receivables result from liquidation.

The aggregate annual maturities of long-term debt subsequent to March 31, 2006 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2007	¥ 86,700	$ 738,063
2008	103,232	878,794
2009	85,133	724,720
2010	109,015	928,020
2011 and thereafter	442,442	3,766,427

As is customary in Japan, short- and long-term bank loans are made under general agreements, which 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.

7. LEASE TRANSACTIONS

(a) Finance leases (lessee)

Finance leases as of March 31, 2006 and 2005 and for the years then ended are summarized as follows:

i. Pro forma capitalization of leased items

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Buildings:			
Acquisition cost	**¥ 1,391**	¥ 1,514	**$ 11,845**
Accumulated depreciation	**(724)**	(603)	**(6,167)**
Net book value	**667**	911	**5,678**
Software:			
Acquisition cost	**1**	100	**10**
Accumulated depreciation	**(1)**	(57)	**(6)**
Net book value	**0**	43	**4**
Other (fixtures and equipment):			
Acquisition cost	**3,576**	3,582	**30,436**
Accumulated depreciation	**(1,591)**	(1,158)	**(13,540)**
Net book value	**1,985**	2,424	**16,896**
Total:			
Acquisition cost	**4,968**	5,196	**42,291**
Accumulated depreciation	**(2,316)**	(1,818)	**(19,713)**
Net book value	**¥ 2,652**	¥ 3,378	**$ 22,578**

ii. Minimum future lease payments

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Due within one year	**¥ 934**	¥ 959	**$ 7,951**
Due after one year	**1,853**	2,568	**15,777**
Total	**¥2,787**	¥3,527	**$23,728**

Impairment loss account of leased assets amounted to ¥10 million (US$93 thousand) and ¥37 million as of March 31, 2006 and 2005, respectively.

iii. Lease payments, depreciation equivalent and interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Lease payments	**¥1,052**	¥1,004	**$8,956**
Reversal of impairment loss account of leased assets	**27**	—	**226**
Depreciation equivalent	**964**	936	**8,207**
Interest equivalent	**102**	108	**870**
Impairment loss	**—**	37	**—**

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.

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

(b) Equipment for lease (lessor)

Equipment for lease as of March 31, 2006 and 2005 and for the years then ended is summarized as follows:

i. Acquisition cost and accumulated depreciation

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Equipment:			
Acquisition cost	¥ 260,441	¥232,246	$2,217,087
Accumulated depreciation	(101,860)	(86,965)	(867,120)
Net book value	158,581	145,281	1,349,967
Software:			
Acquisition cost	14,708	6,140	125,206
Accumulated depreciation	(3,257)	(1,352)	(27,722)
Net book value	11,451	4,788	97,484
Total:			
Acquisition cost	275,149	238,386	2,342,293
Accumulated depreciation	(105,117)	(88,317)	(894,842)
Net book value	¥ 170,032	¥150,069	$1,447,451

ii. Minimum future lease revenue

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Due within one year	¥ 40,397	¥ 34,773	$ 343,889
Due after one year	137,003	121,882	1,166,281
Total	¥177,400	¥156,655	$1,510,170

The above amounts include lease receivables which were sold under liquidation of lease receivables.

iii. Lease revenue, depreciation equivalent and interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Lease revenue	¥46,935	¥40,597	$399,553
Depreciation equivalent	40,265	34,289	342,764
Interest equivalent	9,529	8,471	81,117

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

(c) Operating leases (lessee)

Minimum future lease payments as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Due within one year	¥153	¥182	$1,299
Due after one year	85	76	729
Total	¥238	¥258	$2,028

8. OTHER SECURITIES

As of March 31, 2006 and 2005 acquisition costs and amounts on the consolidated balance sheets of other securities that have market prices are summarized below:

	Millions of yen						Thousands of U.S. dollars		
	2006			2005			2006		
	Acquisition cost	Balance sheet amount	Difference	Acquisition cost	Balance sheet amount	Difference	Acquisition cost	Balance sheet amount	Difference
Balance sheet amount exceeding acquisition cost:									
Equity shares	**¥12,433**	**¥40,476**	**¥28,043**	¥ 7,178	¥19,799	¥12,621	**$105,840**	**$344,565**	**$238,725**
Bonds									
Corporate	**16**	**17**	**1**	—	—	—	**131**	**141**	**10**
Other	**171**	**198**	**27**	40	41	1	**1,457**	**1,689**	**232**
Subtotal	**12,620**	**40,691**	**28,071**	7,218	19,840	12,622	**107,428**	**346,395**	**238,967**
Balance sheet amount not exceeding acquisition cost:									
Equity shares	**778**	**520**	**(258)**	5,624	5,547	(77)	**6,620**	**4,430**	**(2,190)**
Bonds									
Corporate	**903**	**843**	**(60)**	129	117	(12)	**7,691**	**7,179**	**(512)**
Other	**384**	**369**	**(15)**	3,724	3,053	(671)	**3,271**	**3,136**	**(135)**
Subtotal	**2,065**	**1,732**	**(333)**	9,477	8,717	(760)	**17,582**	**14,745**	**(2,837)**
Total	**¥14,685**	**¥42,423**	**¥27,738**	¥16,695	¥28,557	¥11,862	**$125,010**	**$361,140**	**$236,130**

9. RETIREMENT BENEFIT PLANS

The Company and some of its consolidated subsidiaries had defined benefit plans composed of a corporate pension plan and a lump-sum payment plan.

Effective October 1, 2004, the Company and some of its consolidated subsidiaries changed the former defined benefit pension plans to cash balance plans. Moreover, as per the Defined Contribution Pension Plan Law, a certain portion of future benefits was shifted either to defined contribution plans or to prepaid retirement benefit payment plans at employee's option.

Reflecting these changes, the Companies recognized "Gains on revision of pension plans," amounting to ¥283 million, which is included in other non-operating revenues for the year ended March 31, 2005, in conformity with "Accounting for Transfer between Different Pension Plans" (Application Guide No.1 issued by the Accounting Standards Board of Japan) and prior service obligation was incurred.

(a) Accrued pension and severance costs

Accrued pension and severance costs as of March 31, 2006 and 2005 are as calculated below:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Retirement benefit obligations	**¥(10,514)**	¥(9,891)	**$(89,499)**
Plan assets	**4,335**	3,889	**36,900**
Funded status	**(6,179)**	(6,002)	**(52,599)**
Unrecognized actuarial differences	**3,692**	4,412	**31,428**
Unrecognized prior service obligations	**(4,917)**	(5,531)	**(41,857)**
Accrued pension and severance costs	**(7,404)**	(7,121)	**(63,026)**

(b) Retirement benefit expenses

Retirement benefit expenses for the year ended March 31, 2006, 2005 and 2004 are as stated below:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	2006
Service costs	¥ 458	¥ 681	¥ 965	$ 3,900
Interest costs	200	264	362	1,698
Expected return on plan assets	(59)	(67)	(86)	(505)
Actuarial difference recognized as expense	633	652	678	5,390
Prior service obligations recognized as expenses	(606)	(479)	(119)	(5,156)
Other*	191	86	—	1,628
Retirement benefit expenses	817	1,137	1,800	6,955
Gains on revisions of pension plans	—	(283)	—	—
Total	¥ 817	¥ 854	¥1,800	$ 6,955

*Other represents payments to defined contribution pension fund.

The principal assumptions used in determining retirement benefit obligations and other components for the Companies plans are as stated below:

	2006	2005	2004
Discount rate	2.0%	2.0%	2.0%
Expected return on plan assets	1.5%	1.5%	1.5%
Period of recognition of past service obligations	9–11 years evenly	9–11 years evenly	9–11 years evenly
Period of recognition of actuarial differences	9–11 years evenly	9–11 years evenly	9–11 years evenly

10. DEFERRED TAX ASSETS AND LIABILITIES

(a) Effective tax rate

The effective income tax rates of the Companies differ from the statutory tax rates for the years ended March 31, 2006, 2005 and 2004 for the following reasons:

	2006	2005	2004
Statutory tax rate	40.70%	40.70%	42.05%
Reconciliation:			
Expenses not deductible for tax purposes	0.27	0.22	0.22
Non-taxable dividend income	(34.88)	(0.09)	(1.17)
Inhabitants taxes per capita	0.37	0.30	0.34
Amortization of consolidation adjustments	(0.20)	(0.15)	(0.19)
Equity in net earnings (losses) of affiliated companies by the equity method	(1.34)	1.38	1.11
Increase of evaluation allowance	13.59	0.55	1.30
Reduction of deferred tax assets resulting from tax rate revision	—	0.29	1.33
Net gain on changes in equity interest	(5.12)	(1.77)	—
Income tax credit	(1.19)	(1.31)	(1.14)
Other	1.50	(0.02)	0.64
Effective tax rate	13.70%	40.10%	44.49%

(b) Deferred income taxes

Deferred income taxes as of March 31, 2006 and 2005 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Deferred tax assets:			
Inventories	¥ 1,255	¥ 742	$ 10,679
Amortization of goodwill	6,662	—	56,715
Accumulated impairment losses of property and equipment, and other assets	2,046	2,879	17,417
Investment securities	4,831	1,920	41,130
Allowance for losses on receivables	7,707	5,987	65,611
Allowance for losses of interest repayment	938	—	7,986
Accrued expenses	296	8,842	2,518
Accrued enterprise taxes	628	1,080	5,350
Accrued pension and severance costs	2,923	2,898	24,882
Allowance for losses on point program	11,813	—	100,556
Other allowance	1,973	1,543	16,797
Accumulated deficit carryforwards	413	1,464	3,516
Unrealized losses on other securities	3	231	24
Other	3,596	1,655	30,611
Subtotal	45,084	29,241	383,792
Less evaluation allowance	(7,283)	(824)	(62,003)
Total deferred tax assets	37,801	28,417	321,789
Deferred tax liabilities:			
Accrued refundable enterprise taxes	(101)	—	(859)
Capital gains deferred for tax purposes	(212)	(212)	(1,802)
Unrealized gains on other securities	(10,265)	(5,060)	(87,382)
Other	(47)	(36)	(404)
Total deferred tax liabilities	(10,625)	(5,308)	(90,447)
Net deferred tax assets	¥ 27,176	¥23,109	$231,342

Net deferred tax assets are presented on the consolidated balance sheets as of March 31, 2006 and 2005 as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Current assets	¥10,619	¥17,902	$ 90,395
Investment and other assets	16,610	5,223	141,400
Current liabilities–other	(35)	—	(302)
Long-term liabilities–other	(17)	(17)	(151)

11. IMPAIRMENT LOSSES OF PROPERTY AND EQUIPMENT, AND OTHER ASSETS

For the year ended March 31, 2006, the Companies recorded impairment losses amounting to ¥80 million (US$677 thousand). Due to its insignificance in amount, the details are omitted.

For the year ended March 31, 2005, the Companies wrote down the book value of amusement facilities, mail-order sales facilities and operating facilities from which operating income had deteriorated and was not expected to recover in the short term.

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

March 31, 2005

Asset	Description	Location
Certain amusement facilities	Buildings, Other (Fixtures, furniture, other)	Kanto region
Mail-order sales facilities	Buildings, Software, Other (Fixtures, furniture, other)	Tokyo
Operating facilities	Buildings, Other (Fixtures, furniture, other)	Tokyo

For the year the ended March 31, 2004, the Companies wrote down the book value of the real estate beneficiary rights, and non-operating properties for which recovery in value was not likely because of the decrease in domestic real estate prices.

Moreover, the Companies wrote down the book value of operating facilities and amusement facilities from which operating income had deteriorated and was not expected to recover in the short term.

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

March 31, 2004

Asset	Description	Location
Real estate for lease	Land, Buildings	Tokyo
Real estate beneficiary rights	Investments and other assets	Osaka
Operating facilities	Buildings, Other (Fixtures, furniture, other)	Tokyo
Certain amusement facilities	Buildings, Other (Fixtures, furniture, other)	Kanto region
Idle assets	Land, Buildings, Other	Tokyo

Accumulated impairment losses were subtracted directly from individual assets. Impairment loss on property and equipment, and other assets recognized for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen	
	2005	2004
Property and equipment:		
Buildings and improvements	**¥ 551**	¥3,125
Land	**—**	2,114
Other (fixtures and equipment, other assets)	**515**	601
Investment and other assets:		
Other	**53**	1,730
Current liabilities:		
Other	**37**	—
Total	**¥1,156**	¥7,570

Regarding operating facilities, real estate for lease, real estate beneficiary rights, and idle assets, the recoverable amount is measured at the net selling price, which is principally determined by real estate appraisers or other independent third parties.

Regarding certain amusement facilities and mail-order sales facilities, the recoverable amount is measured at value in use, which is the present value of net cash flows discounted at 5.0 percent.

The assets of the Companies are grouped by the operation 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.

12. OPERATING REVENUES

Operating revenues for the years ended March 31, 2006, 2005 and 2004 comprised the following revenues and expenses:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2005**
Financing and administration fees	**¥214,450**	¥183,618	¥174,963	**$1,825,572**
Entertainment business (Note 2):				
Sales	**143,548**	108,546	95,586	**1,221,996**
Cost of sales	**125,664**	91,556	79,981	**1,069,752**
Income from entertainment business	**17,884**	16,990	15,605	**152,244**
Real estate business (Note 1):				
Sales	**70,132**	58,400	54,214	**597,027**
Cost of sales	**51,771**	45,768	44,034	**440,721**
Income from real estate business	**18,361**	12,632	10,180	**156,306**
Lease business:				
Sales	**65,623**	57,535	46,332	**558,634**
Cost of sales	**58,480**	50,732	40,806	**497,827**
Lease income	**7,143**	6,803	5,526	**60,807**
Other business:				
Sales	**6,888**	13,432	14,800	**58,638**
Cost of sales	**2,050**	5,349	7,313	**17,455**
Other income	**4,838**	8,083	7,487	**41,183**
Financial income	**11,990**	12,259	6,571	**102,070**
Total operating revenues	**¥274,666**	¥240,385	¥220,332	**$2,338,182**

Notes: 1. As described in Note 3 (u), effective from the year ended March 31, 2006, in reconsideration of transactions, collection of receivables and the corresponding cost are included in sales and cost of sales, respectively. Previously reported figures for the years ended March 31, 2005 and 2004 are reclassified to conform with the current accounting policy.

2. Effective from the year ended March 31, 2006, as a consolidated subsidiary, operating amusement section of entertainment business, committed special prize exchange operations in the specific areas to the outside agents, cost of prize, formerly deducted from sales, is included in cost of sales. Effect of the change was to increase sales and cost of sales by ¥22,696 million (US$193,208 thousand) for the year ended March 31, 2006, but it had no effect on income from entertainment business.

13. DERIVATIVES

Contractual values or notional principal amounts and unrealized profits (losses) on derivative transactions as of March 31, 2006 and 2005 are summarized below:

(a) Interest rate transactions

	Millions of yen					
	2006			2005		
	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	**¥19,119**	**¥12,471**	**¥(455)**	¥24,267	¥21,867	¥(702)
Total	**¥19,119**	**¥12,471**	**¥(455)**	¥24,267	¥21,867	¥(702)

	Thousands of U.S. dollars		
	2006		
	Contractual value or notional principal amount		Unrealized profit (loss)
	Total	Over 1 year	
Over-the-counter interest rate swaps:			
Floating-rate receipt/Fixed-rate payment	**$162,756**	**$106,163**	**$(3,871)**
Total	**$162,756**	**$106,163**	**$(3,871)**

Notes: 1. Fair value is calculated based on prices and other information presented by financial and other institutions with which the Companies have concluded derivatives agreements.
2. Hedged derivatives transactions are excluded.

(b) Foreign exchange transactions

	Millions of yen					
	2006			2005		
	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	
Currency swaps:						
Yen received/U.S. dollars paid	**¥534**	**¥ —**	**¥(6)**	¥1,028	¥ —	¥(8)
Total	**¥534**	**¥ —**	**¥(6)**	¥1,028	¥ —	¥(8)

	Thousands of U.S. dollars		
	2006		
	Contractual value or notional principal amount		Unrealized profit (loss)
	Total	Over 1 year	
Currency swaps:			
Yen received/U.S. dollars paid	**$4,549**	**$ —**	**$(53)**
Total	**$4,549**	**$ —**	**$(53)**

Notes: 1. Fair value at year-end is calculated based on prices and other information presented by financial and other institutions with which the Company has concluded derivatives agreements.
2. Receivables and payables in foreign currencies, which are shown in the consolidated balance sheets at the fixed yen amounts under the foreign exchange forward contracts, are excluded from the above schedule.
3. Hedged derivatives transactions are excluded.

14. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2006, the Companies were contingently liable as credit guarantee for customers borrowing from the alliance banks, LAWSON CS Card Inc., and other affiliates amounting to ¥103,220 million (US$878,693 thousand), ¥10,191 million (US$86,751 thousand) and ¥219 million (US$1,863 thousand), respectively.

15. SHAREHOLDERS' EQUITY

(a) Common stock

The Company has 300,000,000 authorized shares out of which 180,716,625 shares were issued as of March 31, 2006.

(b) Stock option plans

The Company has the following option plans for directors, statutory auditors, officers, employees and corporate counselors of the Companies as of March 31, 2006, which were approved by the General Shareholders' Meetings.

Date of approval	Number of subscription rights issued	Type and number of targeted shares	Subscription price	Effective period	Issue price	Per share addition to common stock
June 25, 2005	17,780	Common stock 1,778,000 shares	¥3,740 per share	June 30, 2007 to June 29, 2010	¥3,740	¥1,870
June 27, 2003	8,629	Common stock 862,900 shares	¥2,095 per share	June 30, 2005 to June 29, 2008	¥2,095	¥1,048
June 27, 2002	7,857	Common stock 785,700 shares	¥2,978 per share	June 30, 2004 to June 29, 2007	¥2,978	¥1,489

Notes: 1. Conditions of execution
In the event a granted person retires or resigns under the regulations, a subscription right may be exercised within two years after that. In the event a granted person dies or retires voluntarily, a subscription right shall be canceled.
2. Transfer of stock option
Transfer of stock option to the third person needs the approval of the Directors' Meeting.

16. SEGMENT INFORMATION

(a) Business segments

Segment information by business segment for the years ended March 31, 2006, 2005 and 2004 was as follows:

	Millions of yen								
	Operating revenues								
Year ended March 31, 2006	Outside customers	Inter-segment	Total	Operating expenses	Operating income	Assets	Depreciation	Loss on impairment	Capital expenditures
Credit & Finance	**¥226,440**	**¥ 157**	**¥226,597**	**¥171,903**	**¥54,694**	**¥1,548,361**	**¥ 6,666**	**¥ —**	**¥ 9,723**
Entertainment	**17,884**	**35**	**17,919**	**15,231**	**2,688**	**36,548**	**3,180**	**79**	**5,751**
Real estate	**18,361**	**939**	**19,300**	**9,788**	**9,512**	**165,409**	**333**	**—**	**1,614**
Lease	**7,143**	**40**	**7,183**	**3,847**	**3,336**	**175,362**	**40,467**	**—**	**76,686**
Other	**4,838**	**297**	**5,135**	**1,283**	**3,852**	**4,045**	**47**	**1**	**32**
Total	**274,666**	**1,468**	**276,134**	**202,052**	**74,082**	**1,929,725**	**50,693**	**80**	**93,806**
Eliminations or corporate	**—**	**(1,468)**	**(1,468)**	**3,039**	**(4,507)**	**133,010**	**117**	**—**	**155**
Consolidated	**¥274,666**	**¥ —**	**¥274,666**	**¥205,091**	**¥69,575**	**¥2,062,735**	**¥50,810**	**¥80**	**¥93,961**

	Millions of yen								
	Operating revenues								
Year ended March 31, 2005	Outside customers	Inter-segment	Total	Operating expenses	Operating income	Assets	Depreciation	Loss on impairment	Capital expenditures
Credit & Finance	¥195,877	¥ 344	¥196,221	¥148,020	¥48,201	¥1,094,936	¥ 4,293	¥ —	¥18,106
Entertainment	16,990	38	17,028	15,670	1,358	33,925	3,084	951	6,331
Real estate	12,632	740	13,372	7,836	5,536	108,883	271	—	381
Lease	6,803	51	6,854	4,218	2,636	154,655	34,603	—	69,953
Other	8,083	276	8,359	3,955	4,404	7,509	68	205	17
Total	240,385	1,449	241,834	179,699	62,135	1,399,908	42,319	1,156	94,788
Eliminations or corporate	—	(1,449)	(1,449)	2,096	(3,545)	113,041	121	—	92
Consolidated	¥240,385	¥ —	¥240,385	¥181,795	¥58,590	¥1,512,949	¥42,440	¥1,156	¥94,880

Year ended March 31, 2004	Millions of yen								
	Operating revenues								
	Outside customers	Inter-segment	Total	Operating expenses	Operating income	Assets	Depreciation	Loss on impairment	Capital expenditures
Credit & Finance	¥181,534	¥ 471	¥182,005	¥135,205	¥46,800	¥1,002,827	¥ 3,468	¥3,879	¥ 6,345
Entertainment	15,605	27	15,632	14,301	1,331	37,916	3,202	3,691	5,972
Real estate	10,180	781	10,961	6,732	4,229	78,598	333	—	349
Lease	5,526	84	5,610	3,680	1,930	134,737	29,467	—	61,810
Other	7,487	134	7,621	4,762	2,859	6,282	66	—	179
Total	220,332	1,497	221,829	164,680	57,149	1,260,360	36,536	7,570	74,655
Eliminations or corporate	—	(1,497)	(1,497)	1,647	(3,144)	92,350	144	—	137
Consolidated	¥220,332	¥ —	¥220,332	¥166,327	¥54,005	¥1,352,710	¥36,680	¥7,570	¥74,792

Year ended March 31, 2006	Thousands of U.S. dollars								
	Operating revenues								
	Outside customers	Inter-segment	Total	Operating expenses	Operating income	Assets	Depreciation	Loss on impairment	Capital expenditures
Credit & Finance	**$1,927,642**	**$ 1,332**	**$1,928,974**	**$1,463,376**	**$465,598**	**$13,180,909**	**$ 56,745**	**$ —**	**$ 82,771**
Entertainment	**152,244**	**297**	**152,541**	**129,657**	**22,884**	**311,129**	**27,069**	**667**	**48,959**
Real estate	**156,306**	**7,989**	**164,295**	**83,326**	**80,969**	**1,408,094**	**2,837**	**—**	**13,742**
Lease	**60,807**	**342**	**61,149**	**32,753**	**28,396**	**1,492,821**	**344,483**	**—**	**652,808**
Other	**41,183**	**2,533**	**43,716**	**10,919**	**32,797**	**34,434**	**402**	**10**	**274**
Total	**2,338,182**	**12,493**	**2,350,675**	**1,720,031**	**630,644**	**16,427,387**	**431,536**	**677**	**798,554**
Eliminations or corporate	**—**	**(12,493)**	**(12,493)**	**25,868**	**(38,361)**	**1,132,288**	**996**	**—**	**1,320**
Consolidated	**$2,338,182**	**$ —**	**$2,338,182**	**$1,745,899**	**$592,283**	**$17,559,675**	**$432,532**	**$677**	**$799,874**

Notes: 1. Business segments are defined in consideration of the operations of the Companies.

2. Change of business segments
Effective from the year ended March 31, 2005 the Companies changed the former segmentation to the following items in order to make the information more useful:
(a) Credit & Finance: Shopping loans, finance and collection of receivables
(b) Entertainment: Amusement
(c) Real estate: Sales of real estate, real estate leasing
(d) Lease: Equipment leasing
(e) Other: Mail-order sales

3. Significant components of 'Eliminations or corporate' are as follows:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Non-allocable operating expenses	**¥ 4,030**	¥ 3,242	¥ 2,560	**$ 34,306**
Corporate assets	**139,249**	120,693	109,987	**1,185,401**

Non-allocable operating expenses include administrative expenses incurred by the management control department of the Company. Corporate assets include surplus funds, long-term investments (investment securities) and assets used by the management control department of the Company.

4. Accounting change in allowance for losses on point program.
As described in Note 3 (p), effective from the year ended March 31, 2006, reflecting the abolition of expiration date, allowance for losses on point program card points is provided based on estimated usage of card points outstanding at year-end exchange and experience. This change caused operating income of the credit and finance business to increase by ¥597 million (US$5,082 thousand) for the year ended March 31, 2006.

5. Changes in presentation of loss on disposal of properties.
As described in Note 3 (s), formerly the loss on disposal of casino machines held by the consolidated subsidiary operating Entertainment business was included in non-operating expenses in the consolidated statements of income. Considering recent frequent occurrence of replacement of the machines, the loss is included in selling, general and administrative expenses in the consolidated statements of income, effective from the year ended March 31, 2004.

6. Accounting standards for impairment of fixed assets
As described in" Note 3 (t) impairment loss of property and equipment, other assets," the Companies adopted "Accounting Standards for impairment of Fixed Assets" effective from the year ended March 31, 2004. The effect of the adoption was to recognize impairment losses on the credit and finance business. Entertainment business, amounting to ¥3,879 million and ¥3,691 million, respectively. Operating assets of these business decreased by ¥3,879 million and ¥3,658 million, respectively.

(b) Geographic information

The Company is not required to prepare information for geographic segments since no consolidated subsidiaries or branches are located outside Japan.

(c) Overseas sales

The Company is not required to prepare information for overseas sales since the aggregated amounts of overseas sales of the companies are not material (less than 10% of consolidated sales).

Report of Independent Auditors

To the Board of Directors and Shareholders of
CREDIT SAISON Co., LTD.

We have audited the accompanying consolidated balance sheets of CREDIT SAISON Co., LTD. and its subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the three years in the period ended March 31, 2006, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CREDIT SAISON Co., LTD. and its consolidated subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 3, effective for the year ended March 31, 2006, CREDIT SAISON Co., LTD. changed their accounting policy for Allowance for losses on point program.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 2 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan
June 24, 2006

Corporate History

Management Topics

2006

- July Concluded a basic agreement on strengthening alliance with Takashimaya Group
- July **Agreed to form a business alliance with The Shizuoka Bank, Ltd.**
- June **Formed comprehensive alliance with Yamada Denki Co., Ltd. in credit card business**
- Mar. Atrium Co., Ltd., a consolidated subsidiary, listed its shares on JASDAQ.
  Opened "SAISON Desk Hawaii"
- Jan. **Merged with UC CARD Co., Ltd. (card issuance business)**

2005

- Dec. Acquired additional 12.4 percent of the shares of Resona Card Co., Ltd., which became an equity affiliate of Credit Saison
- May Formed an equity and business tie-up with the Mitsubishi Corporation in the mail-order business and transferred direct marketing business operations of Saison Direct Marketing Co., Ltd.
- Apr. **Started operations of the new credit center "Ubiquitous"**
- Mar. Equity participation in UC CARD Co., Ltd.

2004

- Dec. **Entered into a comprehensive business alliance master agreement with the Mizuho Financial Group, Inc., Mizuho Bank, Ltd., and UC CARD Co., Ltd.**
- Sept. Launched a real estate mortgage loan business
- Aug. Equity participation in Takashimaya Credit Co., Ltd.
  Concluded a basic agreement on forming a strategic business alliance in the credit card business with the Mizuho Financial Group, Inc., Mizuho Bank, Ltd., and UC CARD Co., Ltd.
  Equity participation in Resona Card Co., Ltd.
- Apr. **Reached basic agreement with Takashimaya Company, Limited on strategic alliance in the credit card business**
- Feb. **Decided to form a strategic equity and business tie-up with Resona Holdings, Inc.**

2003

- Oct. Equity participation in Idemitsu Credit Co., Ltd.
- Aug. Reached agreement on a comprehensive alliance with the card division of Idemitsu Kosan Co., Ltd.
- Mar. Introduced a special benefit plan for shareholders

2002

- June Granted stock options to all employees for the first time in the company's history
- May Formed business alliance with Saison Automobile and Fire Insurance Co., Ltd. and The Yasuda Fire & Marine Insurance Co., Ltd. (currently Sompo Japan Insurance Inc.)
- Feb. Transferred shares of Saison Life Insurance Co., Ltd. to GE Edison Life Insurance Co. (currently AIG Edison Life Insurance Company)
  Equity participation in LAWSON CS Card, Inc.
- Jan. **Reached agreement to establish LAWSON CS Card, Inc., jointly with LAWSON, INC., and the Mitsubishi Corporation**

2001

- Apr. Exchanged shares of Saison Securities Co., Ltd. for shares of Monex, Inc. (currently Monex Beans Holdings, Inc.)
- Mar. Selected for inclusion in the Nikkei Stock Average (Nikkei 225)

1989

- Oct. The Company name was changed to Credit Saison Co., Ltd.

1980

- Aug. The Company name was changed from Midoriya Department Stores to Seibu Credit Co., Ltd.

1976

- Mar. **The Seibu Department Stores, Ltd. and the Company established a shareholding relationship and developed a consumer credit system for the Saison Group**

1968

- June Listed on the first section of the Tokyo Stock Exchange

1951

- May The Company was established as a retailer specializing in installment sales

2006
Achieved increases in both sales and income for 22 consecutive fiscal years (non-consolidated)

2005
Market capitalization surpassed 1 trillion yen

1999
Total transaction volume surpassed 2 trillion yen

1998
Transaction volume of credit-card-related shopping services exceeded 1 trillion yen

1992
Total number of cardholders surpassed 10 million

1991
Total transaction volume surpassed 1 trillion yen

Business Topics

2006

May Agreed to issue "SEIBU Prince Card" from autumn 2006
Mar. Issued a new loan product, "SAISON Loan Card"
Feb. Formed alliance with Central Tanshi On-line Trading Co., Ltd.; SAISON Foreign Exchange sales began
Jan. Formed alliance with Toyota Financial Services Securities Corporation to provide new financial services and products

2005

Oct. Issued "Chojo-SAIS◎N Credit Card" for Japanese in Shanghai.
Issued "SAISON Platinum American Express Card"
Formed business alliance with The Sumitomo Trust and Banking Co., Ltd. to launch term deposits with SAISON Permanent Points ("*Eikyufumetsu Point*")
Sept. Formed alliance with The Tokyo Electric Power Company, Incorporated enabling card payment of electricity bills
Jul. Began sale of a second auto insurance product exclusively for cardholders developed in alliance with Saison Automobile and Fire Insurance Co., Ltd.
Launched "SAISON Wedding Story," a Web-based comprehensive wedding information service
Apr. Issued "Mizuho Mileage Club Card SAISON"
Feb. Issued "SAISON Postal Savings Gold Visa Card"

2004

Dec. Launched securities brokerage service in alliance with Monex Beans Holdings, Inc.
Oct. Formed alliance with Tokyo Gas Co., Ltd. enabling card payment of city gas bills
Issued "Resona Card+S (Resona Card SAISON)"
Enhanced travel and entertainment services for "SAISON American Express Card"
Sept. Issued "TAKASHIMAYA SAISON CARD"
Aug. Start of "SAISON MILE CLUB," (new frequent flyer program)
June Launched "SAISON Housing Information," a Web-based real estate information service
Apr. Issued the "Idemitsu Card Mydo Plus"
Mar. Formed business alliance with ORIX Corporation in automobile leasing business for individuals

2003

Dec. Enhanced "Gold SAISON CARD" preferred services
Sept. Start of "SAISON STATION," (an information terminal for rapid application and issuance of cards)
Began issuing "Super Value Plus," an insurance product exclusively for cardholders, through a business alliance among Credit Saison, Saison Automobile and Fire Insurance Co., Ltd. and Sompo Japan Insurance Inc.
July Began publishing tour catalog, "*SAISON Tabimonogatari*," in cooperation with JTB Corp.
May Began electricity bill credit card payment service for The Kansai Electric Power Co., Inc.
Mar. Began "SAISONPASS" account aggregation service for SAISON CARD holders
Feb. Issued "SAISON Four Beat Card"
Jan. Began using "SAISON CARD EXPRESS" for speedy online card issuance

2002

Sept. Issued "SAISON Japanese Postal Savings Check Card," which allows users to set their own usage limits
Mar. Introduced "SAISON CARD MAKER," a speedy, automatic card issuing machine
Feb. **Started new membership point service "SAISON Dream" (currently "*Eikyufumetsu Point*," or "SAISON Permanent Points" in English)**

2001

Nov. Concluded a supporting company contract for the Japan national soccer team

2000

Nov. Overseas travel services expanded through an alliance with U.K. travel and financial service company Travelex plc.
Aug. Started "Net Answer," a web site for cardholders

1999

Sept. Issued combined credit/cash cards with regional banks
Mar. Started "SAISON Postal Savings Global Service," with a card offering credit, debit and cashing functions in Japan and overseas

1997

Oct. **"SAISON American Express Card" issued through an affiliation with AMERICAN EXPRESS®**

1995

June **Issued "SAISON JCB CARD" in cooperation with JCB Co., Ltd.**

1991

Jan. **Started the affinity card business**

1988

July **Reached agreements with VISA and MasterCard and issued "SAISON Visa Card" and "SAISON MasterCard"**

1983

Mar. **The name of Seibu Card was changed to SAISON CARD**

Corporate Information (As of March 31, 2006)

CREDIT SAISON CO., LTD.

Head Office: 52F Sunshine 60 Bldg., 1-1,
Higashi-Ikebukuro 3-chome,
Toshima-ku, Tokyo 170-6073, Japan
Telephone: 81-3-3988-2111
www.saisoncard.co.jp

Incorporated: May 1, 1951

Paid-in Capital: ¥74,458 million

Number of Employees: Consolidated: 2,546
Non-consolidated: 1,680

Closing of Accounts: March 31

Stock Listing: Tokyo Stock Exchange, First Section

Ticker No.: 8253

Independent Auditor: ChuoAoyama PricewaterhouseCoopers

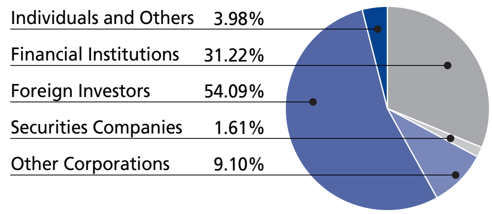
Transfer Agent: The Sumitomo Trust & Banking Co., Ltd.
Stock Transfer Agency Department
1-4-4, Marunouchi, Chiyoda-ku, Tokyo

Common Stock Authorized: 300,000 thousand shares

Common Stock Outstanding: 180,716 thousand shares

Number of Shareholders: 6,770

Composition of Shareholders:



Major Shareholders:

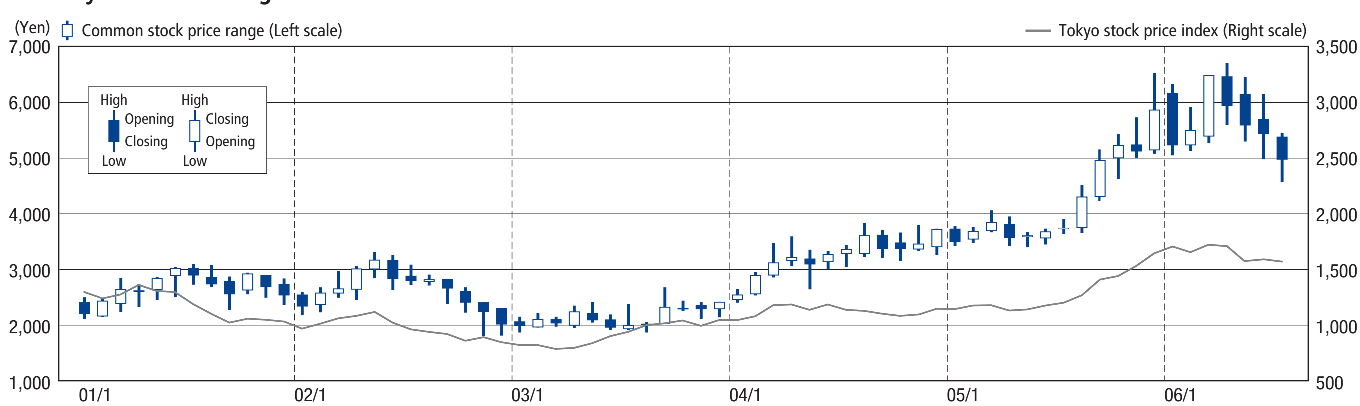
Name	Number of Shares (Thousands)	Percentage of Ownership (%)
State Street Bank and Trust Company	16,663	9.22
The Master Trust Bank of Japan, Ltd. (trust account)	15,579	8.62
Japan Trustee Services Bank, Ltd. (trust account)	12,048	6.67
The Seibu Department Stores, Ltd.	11,600	6.42
Mizuho Corporate Bank, Ltd.	4,675	2.59
State Street Bank and Trust Company 505103	4,398	2.43
The Chase Manhattan Bank 385036	3,582	1.98
Mellon Bank N.A. as agent for its client Mellon Omnibus US Pension	3,183	1.76
The Bank of New York Treaty JASDAQ Account	2,533	1.40
Mellon Bank Treaty Clients Omnibus	2,458	1.36

Note: During the Company's fiscal year, the following companies filed a "Notification of Change" regarding the status of their major shareholdings, stating that they held shares as below as of March 31, 2006 (the required notification date). We were not able to confirm the number of shares that these companies actually held in their own names as of the close of the term; therefore, they are not included in the above list of major shareholders.

Name	Number of Shares (Thousands)	Percentage of Ownership (%)
Artisan Partners Limited Partnership	15,519	8.59
Nomura Securities Co., Ltd.* and 7 other companies	12,813	7.09
Fidelity Investments Japan Ltd.	10,993	6.08
Deutsche Securities, Ltd.* and 9 other companies	9,460	5.24
Mizuho Corporate Bank, Ltd.* and 6 other companies	8,484	4.70

Note: Asterisks (*) in the "Name" column of the above chart denote the name of the entity filing notification in the case of joint shareholdings.

Monthly Stock Price Range:



Yearly High and Low Prices:

(Yen)

	2002	2003	2004	2005	2006
High	3,320	2,680	3,840	6,550	6,730
Low	1,821	1,881	2,420	3,420	4,570

Note: Stock prices for 2006 are for the period from January 1 to July 31.

CREDIT SAISON CO., LTD.

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Printed in Japan with soy ink on recycled paper.