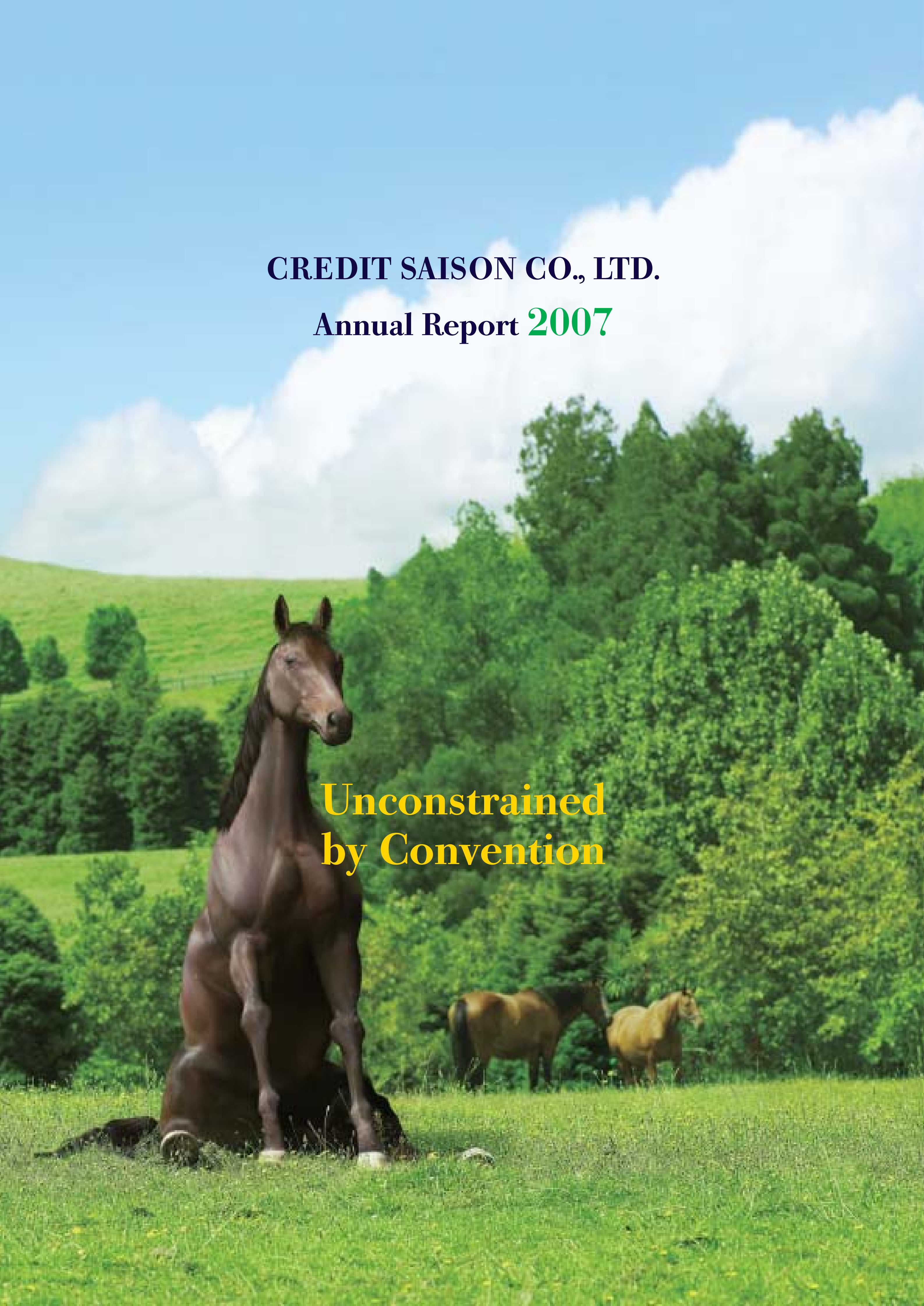
CREDIT SAISON CO., LTD.

Annual Report 2007



Unconstrained by Convention

We believe in being

DIFFER

CONTENTS

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.

Aiming to become a non-bank financial institution with a powerful market presence

The Credit Saison Group has established a unique position in its industry as a leading financial services company by constantly creating new value through an innovative credit card business concept, and through products and services that reflect its unwavering attention to customer needs.

Always taking on fresh challenges, constantly innovating, and never being satisfied with the status quo, we will continue our quest to become the No. 1 financial services company with credit cards as its core business, and aim toward becoming a non-bank financial institution with a powerful market presence.

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About the cover

Credit Saison considers credit cards to be a powerful brand communication tool and focuses effort on credit card image strategy. We aim to increase card brand value by establishing a unique and impactful corporate identity based on the concepts “Aspirations and dreams,” “No. 1” and “Differentiation from competitors.”

The theme for fiscal 2007 is “A contest of abilities,” and the motif is a racehorse. To us, a racehorse galloping thunderously around a racecourse, bearing the hopes and dreams of people, is a fitting symbol for what we seek to become in the increasingly competitive non-bank industry.

Fiscal 2006 Highlights

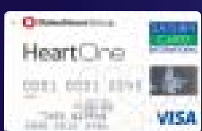
Major strategic alliances

Joint venture credit card companies and joint venture marketing companies established through joint equity participation

■ Shizugin Saison Card

In October 2006, we established Shizugin Saison Card Co.,Ltd. in a joint equity investment with Shizuoka Bank, Ltd.

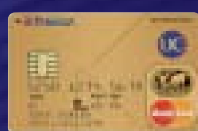
■ Daiwa House Financial



In November 2006, we established Daiwa House Financial Co., Ltd. in a joint equity investment with Daiwa House Industry Co., Ltd.

■ Yamada Financial

In June 2006, we established Yamada Financial Co., Ltd. in a joint equity investment with Yamada Denki Co., Ltd.



■ Yamaguchi Financial Group

In March 2007, we agreed to enter into a business alliance with Yamaguchi Financial Group, Inc. (YMFG).

■ Takashimaya Credit

In March 2007, we strengthened our alliance with Takashimaya Credit Co., Ltd. by raising our equity stake to 33.4%.

New affinity cards

- ■ **KAWATOKU Card** (Apr.)
- ■ **KDDI THE CARD** (May)
- ■ **YAMADA LABI Card** (Jul.)
- ■ **VIORO Card** (Aug.)
- ■ **SEIBU PRINCE CARD** (Sep.)
- ■ **SoftBank Card** (Feb. 2007)
- ■ **Tokyo Metro To Me CARD** (Mar. 2007)
- ■ **KIPS PiTaPa Card** (Mar. 2007)
- ■ **J:COMMUNITY Card** (Mar. 2007)

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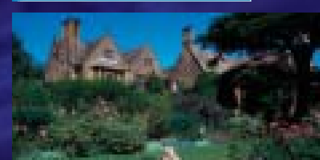
Service enhancement and new revenue sources

永久不滅.com ドットコム

■ Eikyu Fumetsu.com

In October 2006, we launched Eikyu Fumetsu.com, an online shopping mall exclusively for SAISON CARD Net Answer members.



200,000 points— a visit to the world's largest flower show and a one-year membership for two in The Royal Horticultural Society (Japan).

■ Saison Asset Management

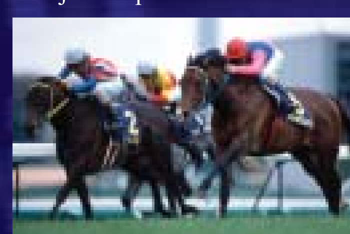
SAISON セゾン投信

In March 2007, Saison Asset Management Co., Ltd., an investment trust management company established in June 2006 as a wholly owned subsidiary, established and commenced direct sales of its own investment trust funds:

*Saison Vanguard Global Balance Fund
*Saison Asset Formation Achiever Fund

■ THOROUGHBRED CLUB SAISON

In June 2006, we launched THOROUGHBRED CLUB SAISON, a membership-based joint capital investment scheme where SAISON CARD members can invest in thoroughbred racehorses.



Financing business

■ Credit guarantee business

At the fiscal 2006 year-end, the guarantee balance exceeded ¥100 billion.

■ Real estate mortgage loans

At the fiscal 2006 year-end, the loan balance exceeded ¥220 billion.

2006 was a year of

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Stock market listings of affiliated companies

■ Atrium listed on the First Section of the Tokyo Stock Exchange

In December 2006, Atrium Co., Ltd. was listed on the First Section of the Tokyo Stock Exchange, only nine months after a successful IPO on the JASDAQ Securities Exchange.

■ Listing of JPN COLLECTION SERVICE

In October 2006, JPN COLLECTION SERVICE Co., Ltd. was listed on the Hercules market of the Osaka Securities Exchange.

Groundbreaking executive promotions

■ Credit Saison's first female director: Chikako Yokoi

Ms. Yokoi joined Credit Saison in 1986. She is currently working to enhance customer services as the Deputy General Manager of the Credit Division.

■ Credit Saison's first director in his thirties: Hong Tae Kim

Mr. Kim joined Credit Saison in 2002. At age 31, he is the Company's youngest director.

To Our Stakeholders

Credit Saison is working to firmly ground its operations in three principles that are fundamental to business activities at the leading edge of the service industry—putting customers first, respecting the interests of business partners, and fostering a corporate culture of creative innovation.

By following these principles, we will outperform the competition, continue to take on fresh challenges to meet the expectations of customers, shareholders and business partners, and fulfill our social responsibilities.

In fiscal 2006, the Credit Saison Group posted record-high consolidated ordinary income as a result of expansion of the credit card business and excellent business performance from Group companies, notably in the Real Estate segment.

On a non-consolidated basis, the Company achieved higher revenues and profits for the 23rd consecutive term by steadily accomplishing a range of objectives set forth at the beginning of the term, including a number of strategic alliances in the credit card business and the launch of new businesses. It was truly a year of progress toward our objective of becoming the leading company in the finance industry.

At the same time, we also faced pressure to reconstruct the basic business model of several businesses due to revisions of the Money-Lending Business Control and Regulation Law and other laws, and a general tightening of regulations. The interest rate cap on cashing services will significantly affect the credit card business, and it will be difficult to achieve a profit increase again in fiscal 2007.

In the non-bank industry, there is increasing realignment to compensate for falling profits caused by stricter regulatory control and higher funding cost, and the industry is further diversifying. Nevertheless, for individual companies and for the industry as a whole, these major changes in the business environment represent an excellent opportunity to take the next step forward. The Credit Saison Group will under no circumstances let this opportunity pass us by.

We have established a three-year medium-term objective of accomplishing internal innovation and laying the foundation for a new type of non-bank financial services company, and this year we will take the first step toward this goal. In this uncertain environment, we intend to proceed steadily through progressive management that remains one step ahead, incorporates leading-edge technologies and management methods, and makes the best possible use of the capabilities of individual employees.

Business conditions in Japan are likely to recover, and personal consumption is certain to develop favorably. We are determined to successfully fulfill future objectives by leveraging the strengths we have honed over the years—innovative products and services, overwhelming sales power, and a brand identity that is distinctively different from that of our competitors—while avoiding over-reliance on these strengths, thinking flexibly and responding quickly to changing market needs.

We look forward to sharing these exciting new challenges and dramatic developments from the Credit Saison Group with our shareholders.

July 2007

Hiroshi Rinno
President and CEO

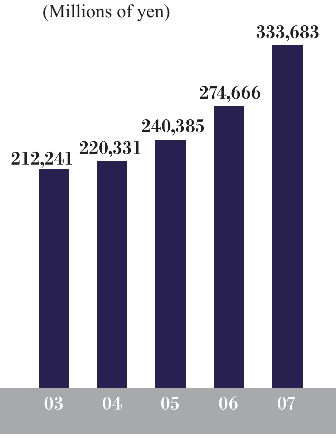
Financial Highlights

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

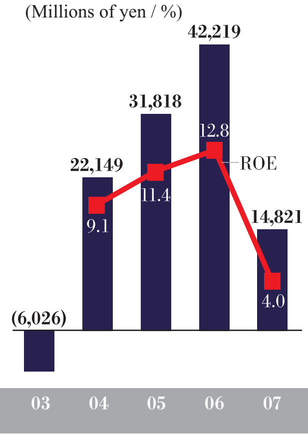
	Millions of yen			% change	Thousands of U.S. dollars (Note 3)
Consolidated:	2007	2006	2005	2007/2006	2007
Operating revenues (Note 1)	¥ 333,683	¥ 274,666	¥ 240,385	21.5	$ 2,825,668
Selling, general and administrative expenses	242,149	193,126	172,024	25.4	2,050,548
Financial cost	16,333	11,965	9,771	36.5	138,307
Operating income	75,201	69,575	58,590	8.1	636,813
Net income	14,822	42,220	31,818	(64.9)	125,512
Total shareholders' equity (Note 2)	399,828	360,717	301,310	10.8	3,385,794
Total assets	2,299,607	2,062,735	1,512,949	11.5	19,473,343
Return on shareholders' equity (ROE) (%)	4.0	12.8	11.4		
Return on assets (ROA) (%)	0.7	2.4	2.2		
Shareholders' equity ratio (%)	16.2	17.5	19.9		
Per share data (in yen and U.S. dollars) (Note 2):					
Net income per share	82.79	237.29	185.00	(65.1)	0.70
Net assets per share	2,077.69	2,014.20	1,721.35	3.1	17.59
Credit card business data (Non-consolidated):					
Card transaction volume	¥4,299,048	¥3,146,729	¥2,596,185	36.6	36,404,844
Credit card-related shopping services	3,433,872	2,527,808	2,078,117	35.8	29,078,432
Cash advances	865,176	618,920	518,069	39.8	7,326,412
Total cardholders (millions)	24.91	22.79	16.90	9.3	
Active cardholders (millions)	12.49	11.68	8.83	6.9	
New cardholders (millions)	3.60	2.71	2.09	32.8	

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 ¥118.09= U.S.$1, the approximate exchange rate on March 31, 2007, for the convenience of the reader.

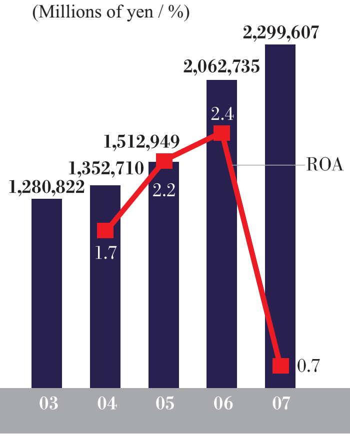
Operating Revenues
(Millions of yen)



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



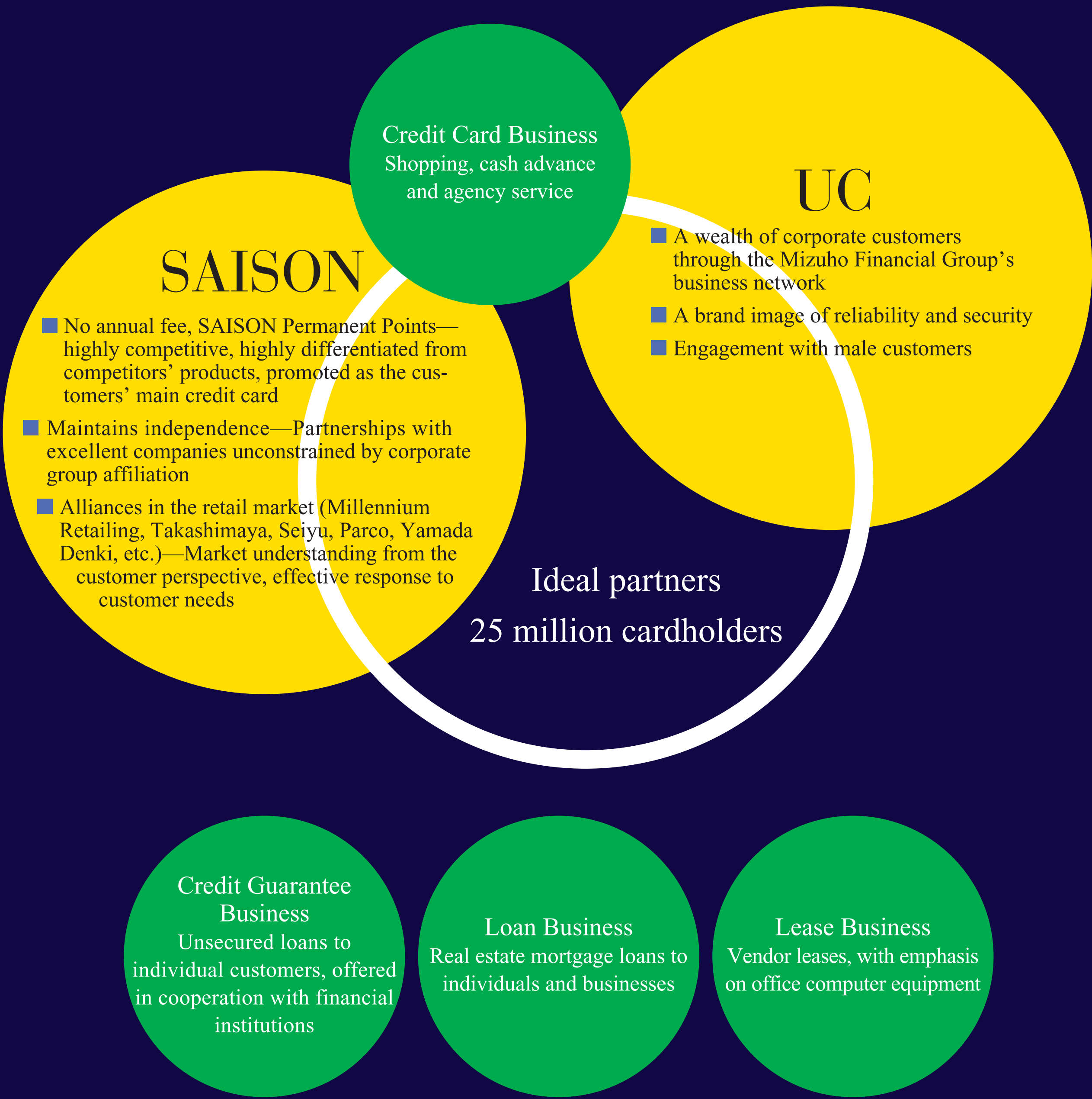
Total Assets and ROA
(Millions of yen / %)



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 ¥6,026 million for the year ended March 31, 2003, and ROE and ROA for that year are not presented.

The Credit Saison Group's Principal Businesses

Credit Saison's core business is the credit card business, and our key assets are two powerful credit card brands, SAISON CARD and UC Card, and 25 million cardholders. We also engage in the finance business and other businesses, in which we leverage the expertise accumulated in the credit card business. Although the credit card business contributes about 80% of total revenues, the contribution from our other business areas is increasing year by year.



Business Strategy

To create new corporate value amid sweeping change in the business environment, Credit Saison will review its conventional business models, implement business structure reform, and practice highly efficient management. We will develop a network of strategic alliances in the credit card business through means including M&A, further expand the finance business, and continuously work to expand our business activities and construct a risk-diversified business portfolio through new business development.

The merger with UC CARD—progress and business impact

In January 2006, the Company completed its merger with UC CARD's credit card issuance business, thereby expanding its scale tremendously by becoming a credit card issuer with two major brands: SAISON and UC. As a result, the total number of cards issued reached 24.91 million at the fiscal 2006 year-end. Annual card shopping transaction volume reached ¥3,433.8 billion, representing a credit card market transaction volume share in Japan of about 14.2% for the Credit Saison Group, including subsidiaries and affiliates (based on the Company's estimated share figures for fiscal 2005).

The integration has strengthened our business relationship with Mizuho Financial Group, which was the backbone of UC CARD, and led to the issuance of a number of major affinity cards, including the MMC card, an affinity card with Mizuho Group, as well as cards issued with Yamada Denki and Softbank.

In addition to the impact of scale expansion, the integration made it possible to reduce organizational operation costs by reorganizing and consolidating duplicated organizations at SAISON and UC (see Organization, page 25) and integrating personnel. We are also proceeding with reorganization and consolidation of card functions and services that take maximum advantage of the respective strengths of SAISON and UC, such as the integration of loyalty point systems and mutual use of T&E services.

Establishment of a joint processing company

In October 2007, Credit Saison, Mizuho Bank, Ltd. and UC Card Co., Ltd. will establish Qubitous Co., Ltd., a joint credit card processing company. In April 2008, the capital structure of Qubitous will change to joint ownership by Credit Saison and Mizuho Bank, Ltd., and the Company will concentrate nearly all processing operations for SAISON and UC into the new company.

In addition to handling processing for cards issued by Credit Saison, its subsidiaries and affiliates as well as UC-affiliated companies, Qubitous will solicit business from other companies in the credit card industry. In this way, we aim to achieve scale expansion, increase efficiency by means of full-capacity operation of processes and systems, and construct a comprehensive processing system that attains the highest levels of quality and quantity in Japan. Future plans call for contributing to the profitability of the credit card industry as a whole by securing a position of cost leadership in processing operations.

Company profile

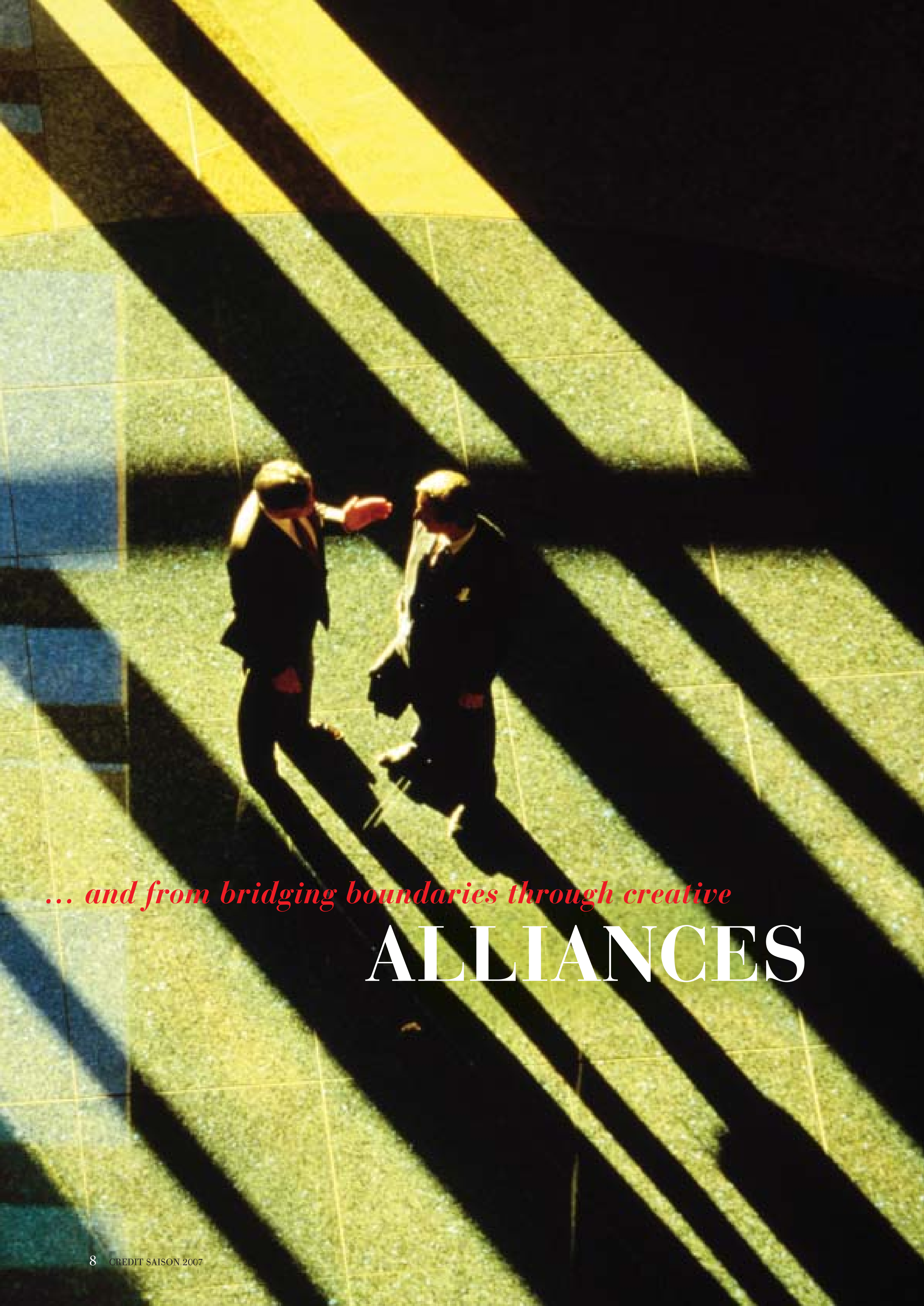
Company name:	Qubitous Co., Ltd.
Date of establishment:	October 1, 2007
Head office address:	1-1, Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo (address in the register)
Number of employees:	Approx. 600 (at the time of establishment)
Capitalization:	¥100 million
Capital structure:	Step 1 (at establishment) UC Card: 100% Step 2 (upon completion of concentration of processing operations) Credit Saison: 51% Mizuho Bank: 49%

President:
Kyosuke Togano (currently a director of Credit Saison)

Vice President:
Shigeru Matsuura (currently senior managing director of UC Card)

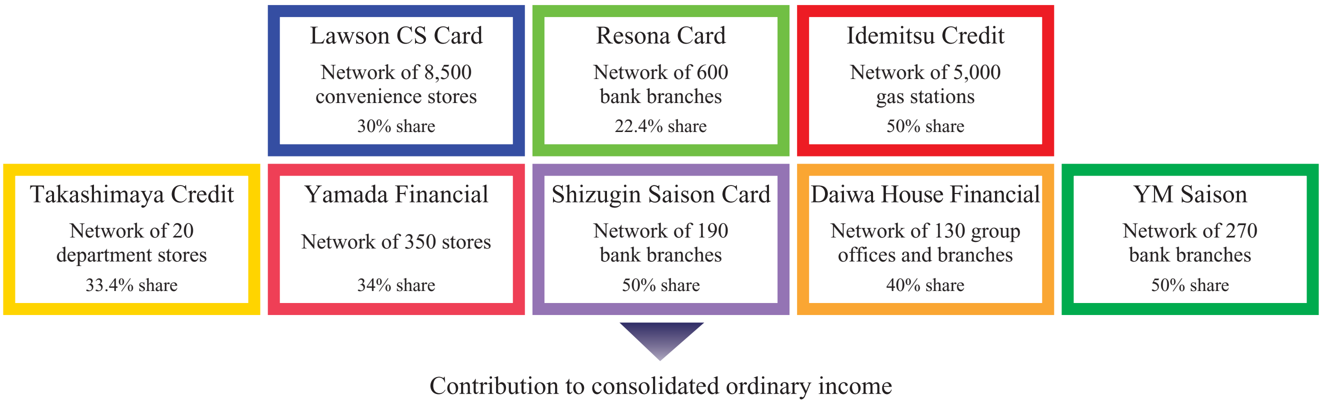
In our view, growth comes from being

INNOVATIVE


… and from bridging boundaries through creative
ALLIANCES

Strategic Alliances

Progress of Strategic Capital Alliances



Promotion of strategic alliances

To establish competitive advantage through scale expansion in the credit card business, the Company takes advantage of its uniqueness and independence to enter into business alliances that cut across business formats and corporate affiliations. To date, we have entered into alliances with partners in wide-ranging industries, including department stores, railway companies, telecommunication companies and commercial facilities. We issue affinity cards with about 200 companies (see Card Tie-Ups, page 26).

Since 2002, the cornerstone of the Company's sales strategy has been to establish joint venture companies in joint equity investments with excellent companies from a wide variety of industries.

In February 2002, we entered into an alliance with Lawson, Inc. and established LAWSON CS Card, Inc., and in October 2003, we took an equity stake in Idemitsu Credit Co., Ltd. in a tie-up with Idemitsu Kosan Co., Ltd. In August 2004, we took an equity stake in Resona Card Co., Ltd. in an alliance with Resona Bank, Ltd., and also entered into equity participation in Takashimaya Credit Co., Ltd.

In fiscal 2006, we entered into a succession of major capital tie-ups and established joint venture companies with leading companies in several industries. We established Yamada Financial Co., Ltd. with Yamada Denki Co., Ltd., Japan's third largest retailer, Shizugin Saison Card Co., Ltd. with Shizuoka Bank, Ltd., and Daiwa House Financial Co., Ltd. with Daiwa House Industry, Co., Ltd. In fiscal 2007, we established the joint venture company YM Saison Co., Ltd. in an alliance with Yamaguchi Financial Group, Inc.

These joint venture companies include credit card companies, marketing companies and other types of finance companies. To build stronger partnerships with our alliance partners, Credit Saison provides each of them with personnel with many years of experience in the credit card business and retail finance business. In this way, we aim to bolster the business of our business partners and put the businesses of the joint venture companies on a growth trajectory. We have developed each of these joint venture companies into companies that can contribute to profits within two to three years of their establishment. The fact that all of the companies established in fiscal 2005 or before operated profitably in fiscal 2006 is testament to our success.

In the development of new alliance partners, as a marketing strategy, we are considering a business model for creating regional credit cards. Through a scheme involving the creation of three-party alliances among the Company, leading regional financial institutions and major local retailers, we aim to make these the most powerful credit cards in their respective regions.

Sales Network

Sales network restructuring

The Company's greatest strength is its sales network, which is centered on 12 branches and 174 Saison Counters across Japan. In fiscal 2006, we acquired 4.28 million new credit cards, mainly through this network. Healthy growth in the number of credit cards goes hand in hand with expansion in the scope of credit card usage and is tied to card transaction volume growth. Nevertheless, there is still substantial room for improvements in profitability, and the Company will restructure its sales network as a step toward rectifying this.

In our credit card development activities, we will place importance on quality. Having analyzed usage trends for each card type, we will refrain from new solicitation or renewal of cards with low usage rates while at the same time engaging in promotions targeting high-frequency users, such as offers to convert to GOLD or PLATINUM cards. We will work to further increase card usage rates by providing asset investment services and private bank services to affluent customers.

In response to the spread of the Internet and improvement in Web usability in recent years, the Company has actively engaged in cardholder development that makes effective use of the Web. Web-based card development enables us to curb personnel expenses compared with conventional face-to-face development and increases profitability by contributing to an increase in the number of Net Members[1], a high percentage of whom are high-value customers.

We will promote the Net Member program to our 25 million existing cardholders, and strive to reduce the cost of communication with cardholders by actively utilizing the Web. Alongside these measures, we will reorganize and consolidate the nationwide network of Saison Counters and Satellite Offices[2] to increase the efficiency of the sales network.

1 Net Members are cardholders who use the Company's Internet-based comprehensive cardholder service programs (service names: Net Answer for Saison cards, @Unet for UC cards). Net Members can confirm credit card transaction statements and other card information and access a number of functions, such as online cashing or membership point exchange.

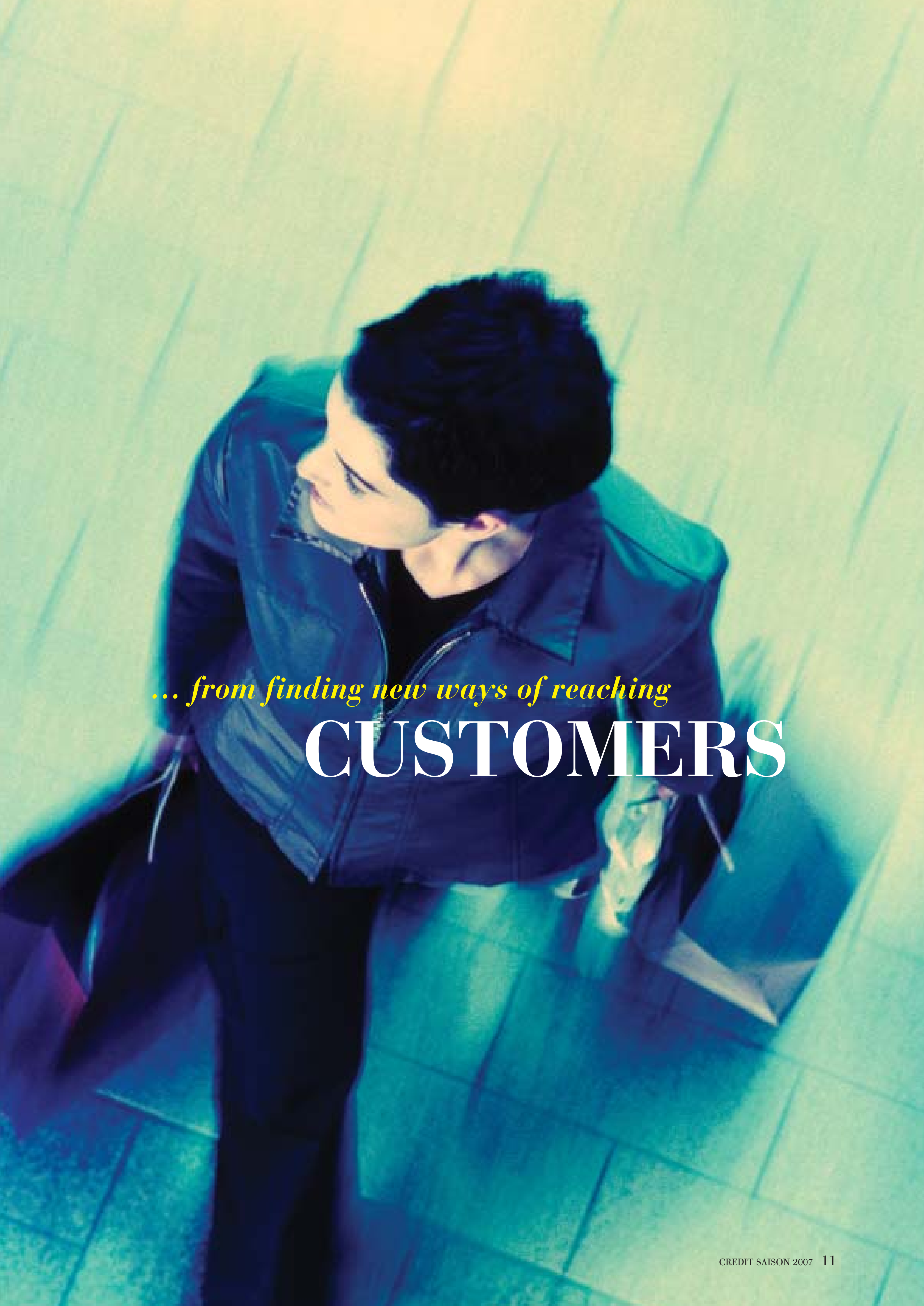
2 In fiscal 2007, the Company will reduce the number of Satellite Offices to 10 by closing 25 offices. It will also close about 20% of the 174 Saison Counters.

The collective strength of the Credit Saison Group

Our group companies are steadily raising their business performance in areas outside the credit card business. The real estate business is developing favorably, in part due to a brisk real estate market. Atrium Co., Ltd., the heart of the Group's real estate operations, was listed on the First Section of the Tokyo Stock Exchange in December 2006.

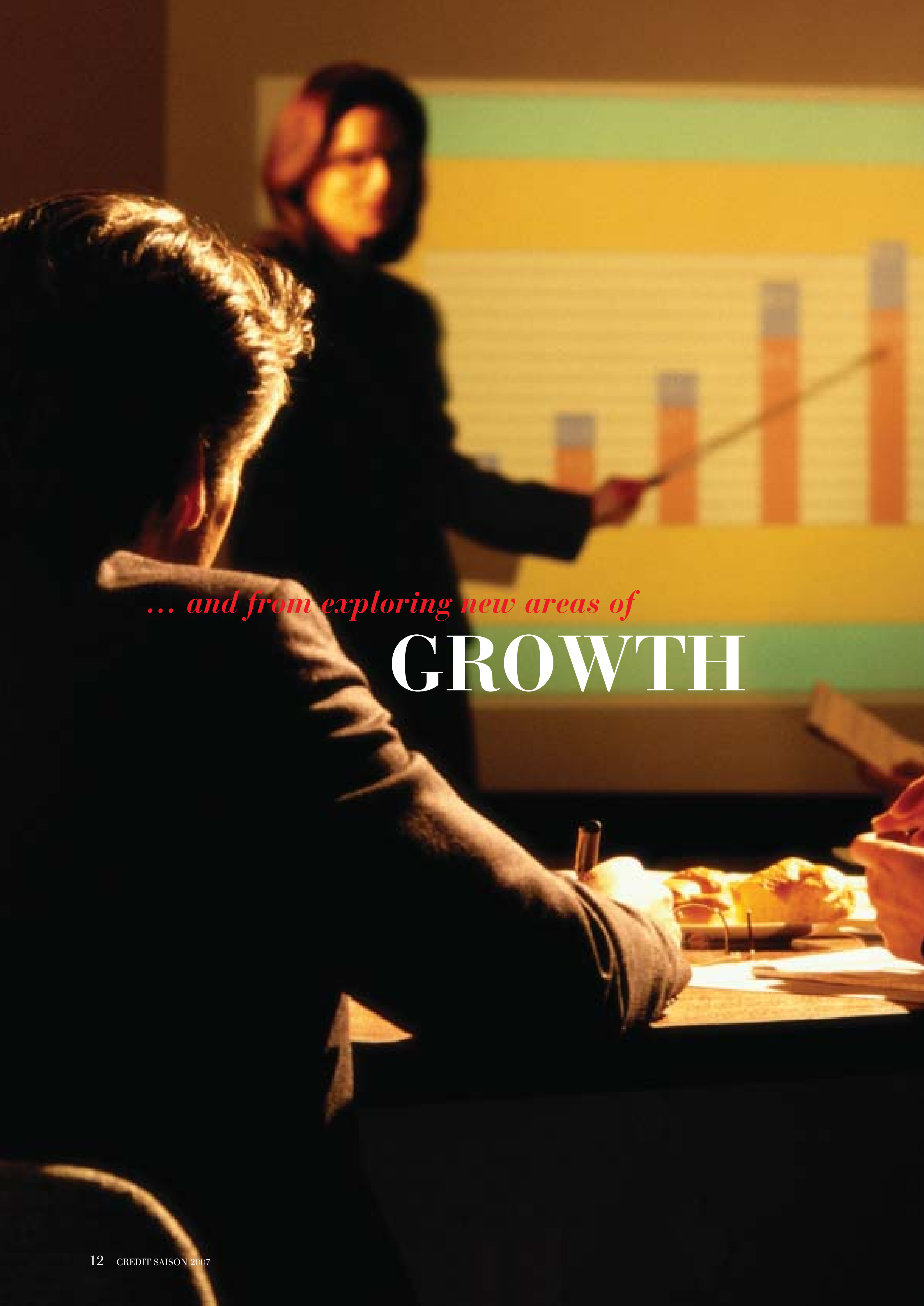
Meanwhile, the loan service provider JPN COLLECTION SERVICE Co., Ltd. improved its business performance by strengthening new businesses, such as a service for collecting receipts for public utility charges on behalf of public offices, and was listed on the Hercules market of the Osaka Securities Exchange in October 2006.

Finance businesses such as the lease business (fiscal 2006 term-end receivables balance of ¥224.7 billion), the credit guarantee business (guarantee balance of ¥124.0 billion), and the real estate mortgage loan business (loan balance of ¥205.1 billion) grew substantially in fiscal 2006, contributing 17% of non-consolidated ordinary income.



… from finding new ways of reaching

CUSTOMERS



… and from exploring new areas of

GROWTH

New Businesses

To develop new revenue sources, the Company constantly creates business models that make use of its unique capabilities, and that involve enhanced cardholder services and the commercialization of new financial services.

Eikyu Fumetsu.com

In October 2006, Credit Saison launched Eikyu Fumetsu.com, an online shopping mall for the exclusive use of Saison Card Net Members.

Distinctive features and future developments

- About 200 leading electronic commerce retailers in various categories have opened online shops in the shopping mall.
- Net Members who shop at the mall and make payments using SAISON CARDs or UC Cards* can collect from 2 to 19 times the ordinary number of SAISON Permanent Points (“Eikyufumetsu Points”).
- A version of Eikyu Fumetsu.com for mobile phone users was launched in July 2007.
- Marketing research, Internet advertising and other fee-based businesses targeting Net Members will be launched.

* UC Card cardholders will be accommodated from the second half of fiscal 2007.

Profits from commissions received from participating electronic commerce retailers will be returned to customers in the form of member points. This scheme will be a first-ever experiment for the credit card industry, and we plan to develop it as a new business.

Saison Asset Management Co., Ltd.

In March 2007, Saison Asset Management Co., Ltd., an investment trust management company established in June 2006 as a wholly owned subsidiary of the Company, launched its own investment trust funds.

Distinctive features

- The direct sales method has been adopted to keep fees to a minimum.
- The company offers two fund products that invest in funds such as index funds from The Vanguard Group, one of the world’s largest investment trust companies, and the Sawakami Fund of Sawakami Asset Management, a pioneer of long-term investments in Japan.
- The funds have won strong customer support. Results during the four-month period after launch were 12,000 accounts and total invested assets of ¥7.0 billion.

To meet the needs of ordinary consumers who want to steadily build financial assets for the future, the company provides, at a low cost, world-class long-term investment trust funds invested in long-term investments.

THOROUGHBRED CLUB SAISON

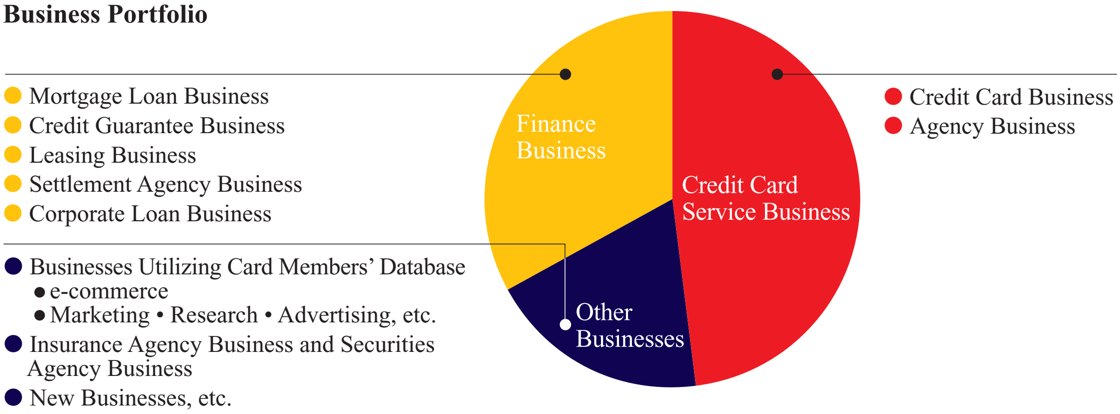
In July 2006, we launched THOROUGHBRED CLUB SAISON, an investment scheme where SAISON CARD cardholders can invest in thoroughbred racehorses. This system involves dividing ownership of racehorses purchased by THOROUGHBRED CLUB SAISON into from 200 to 400 lots, in which members are invited to invest anonymously. Members earn dividends in accordance with the number of lots they own in a winning horse.

THOROUGHBRED CLUB SAISON currently has about 50 racehorses actively racing. The Company has entered into an alliance with Cosmo View Farm, one of Japan’s most prominent horse farms, to select and raise racehorses. Investors can experience the pleasures of racehorse ownership, watch over the development of their horses and cheer them on as they gallop over the turf.

Our objective in engaging in these businesses is not merely to complement the credit card business, but also to provide services that emphasize communication with customers and enable customers to live out their dreams.

Medium-term Management Vision

Business Portfolio



Creation of a non-bank financial institution with a powerful market presence

In advance of full-scale enforcement of the revision of the Money-Lending Business Control and Regulation Law at the end of 2009, the Company lowered the annual interest rate on cash advances to 18% or less, not only for new borrowing but also on the existing balance. As a result, we forecast a reduction in annual revenues of ¥25.0 billion on a non-consolidated basis and ¥30.0 billion on a consolidated basis.

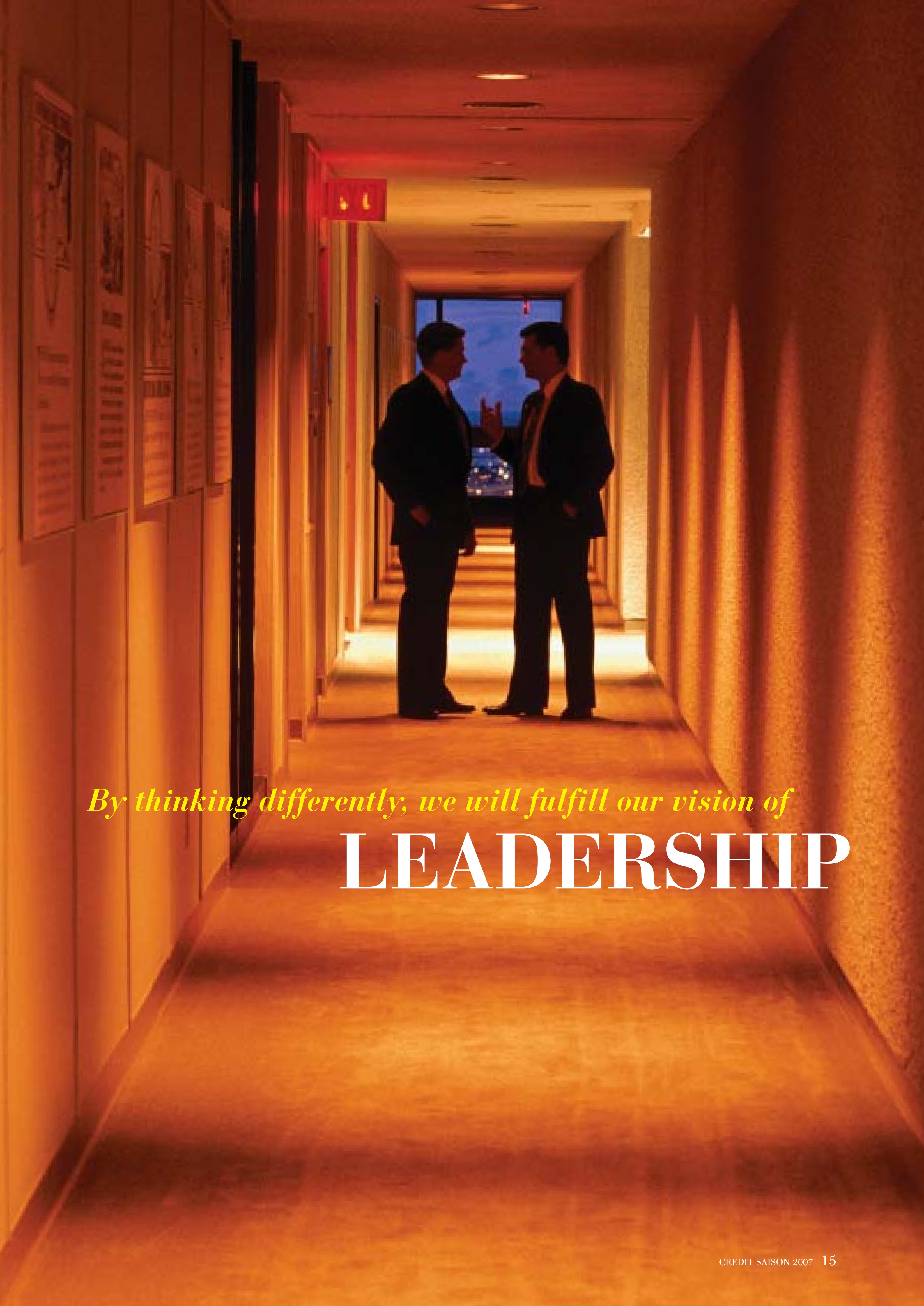
The Company's business environment is becoming increasingly adverse, due to factors including a substantial reduction in revenues caused by the elimination of so-called "gray zone interest," an increase in credit cost resulting from the handling of claims for repayment of excessive interest charges, and an increase in the cost of funds. However, in our view, these changes bring opportunities.

We have positioned 2007 as the start of a new growth stage and a year in which we must rise to the challenge of transforming our business models.

In the credit card business, we aim to achieve a market share of 30% (on a transaction volume basis) by implementing an alliance strategy (see page 9) and considering capital alliances with leading companies in wide-ranging industries, as well as through M&A. In our cashing and loan services, we aim to increase cash advances and card loan balances by capturing high-value customers and achieve a market share of 5% (on a balance basis). While increasing revenues, we will continue our cost-cutting efforts by restructuring our sales network (see page 10) and increase Web usage in our business processes.

Furthermore, to secure balanced revenues from a number of businesses with different risk profiles, we will commence full-scale operation of finance businesses in other areas than credit cards. By constructing a business portfolio unconstrained by the regulatory framework to which a specialized credit card company is subject, we aim to become a next-generation non-bank financial services company with a powerful market presence.

Credit Saison will mount an all-out effort to achieve our target of consolidated ordinary income of ¥70.0 billion (in the range of ¥45.0 to ¥50.0 billion on a non-consolidated basis) in the fiscal year ending March 31, 2010.



By thinking differently, we will fulfill our vision of

LEADERSHIP

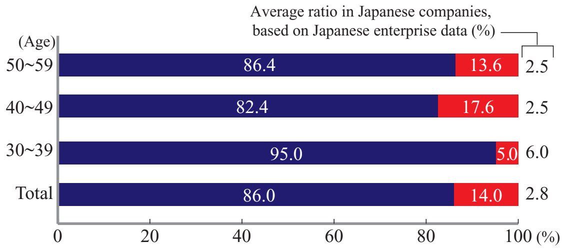
… and utilize each employee's unique

CAPABILITIES

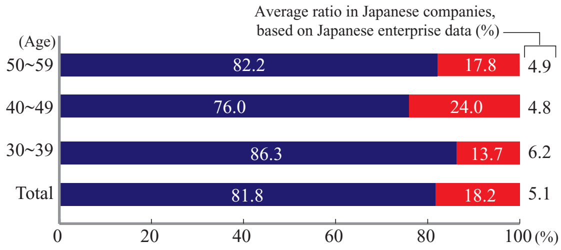
Human Resources Strategy

Management Track Profile at Credit Saison

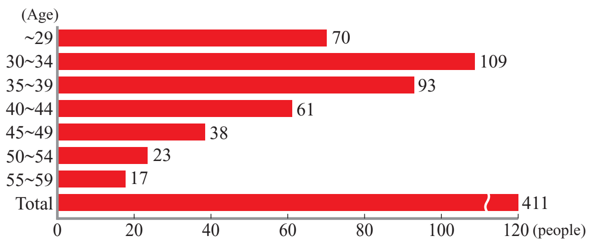
Male/Female Ratio at Department Manager Level



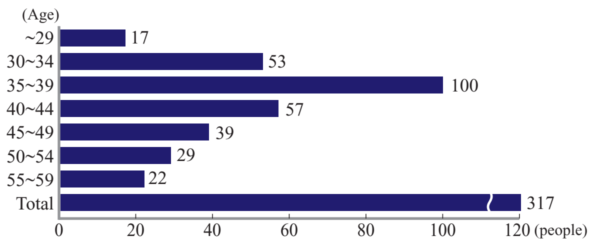
Male/Female Ratio at Section Manager Level



Age of Employees at Supervisor Level and Higher (Female)



Age of Employees at Supervisor Level and Higher (Male)



Workplace orientation

At Credit Saison, we have made workplace orientation a corporate philosophy. We consider employees working in direct contact with customers to be invaluable corporate assets that positively represent the company and strive to satisfy customers. At Ubiquitous, a customer service center with a staff of about 3,000 employees, a high proportion of which are women, we have installed attractive employee facilities, including comfortable, refreshing air conditioning and a café.

To reward the efforts of our staff members, including frontline workers, we granted stock options to all employees, not only executives and managers, three times during the period from 2002 to 2005.

The merit system and flexible human resource systems

To continuously develop the skills and capabilities of our employees, we have set up a human resources system that enables us to make full use of the ambitions and capabilities of each individual, regardless of gender, age or academic background. When hiring, to rapidly meet the staffing requirements of new businesses, we consistently scout for individuals with highly developed specialized skills who can make an immediate contribution.

Credit Saison has also taken steps to help its female employees to achieve a healthy work-life balance, including the provision of maternity and childcare leave in excess of the statutory requirements. Other systems designed to expand the work options available to employees include the "route change" system, which allows employees to change their employment formats, and a flexible re-employment system. In addition, employees who are caring for children or elderly relatives can have their working hours reduced. Over 100 employees have taken this option. Because women are able to remain in employment longer under this system, there has also been an increase in the percentage of women promoted to executive positions, including directorships.

Developing innovative leaders

As the era of "salarymen" protected by lifetime employment and seniority systems comes to an end, the Company is focusing on fostering innovative, leadership-oriented businessmen and businesswomen who can create new value and develop new customers.

To develop the next generation of executives to take the Credit Saison Group forward, we provide our employees with opportunities to gain business experience in different corporate cultures by dispatching them to partner companies and affiliates.

We also strive to foster a management mindset by holding monthly seminars on various management aspects. These seminars, in which general managers take part, are hosted by the president.

Major Group Companies (As of March 31, 2007)

Saison Fundex Group

Saison Fundex Corporation

Loan business: In addition to its VIP, Carriere and Cash Reserve card loans for individual borrowers, Saison Fundex has also achieved strong growth with targeted loans and loans secured by real estate. Another business area is project finance for companies in the real estate sector. Saison Fundex provides a range of financial support tailored to the specific nature of each project.

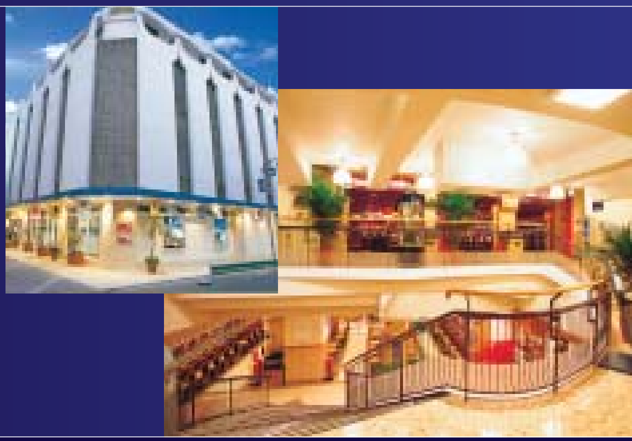
House Planning Co., Ltd.

Real estate and construction: House Planning has built its business by making customer satisfaction its first priority. Its goal is to supply comfortable, reliable and safe residential properties, especially detached houses, on high-quality land.

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 32 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.



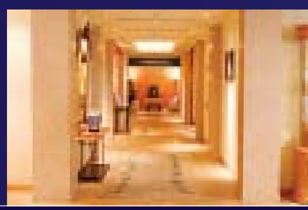
Other Group companies

JPN COLLECTION SERVICE Co., Ltd.

Loan collection agency business: JPN COLLECTION SERVICE Co., Ltd. specializes primarily in the management and collection of small unsecured loans. Operating nationwide through five centers, it offers unique services that combine highly efficient collection with excellent security. Other activities include research and back-up services. JPN COLLECTION SERVICE is dynamically expanding its business activities and currently has over 220 alliance partners in its three areas of activity.

Uraku Aoyama Co., Ltd.

Membership club operation and property leasing: This company operates the Uraku Aoyama Membership Club and leases 24 properties. Club facilities include a gym, restaurant and hotel, all in an elegant and luxurious setting. Through its leasing business, Uraku Aoyama creates attractive properties through community-focused planning and development activities.



Atrium Group

Atrium Co., Ltd.

Real estate liquidation, real estate investment funds and real estate loan guarantees: Atrium produces value by regenerating real estate. As the core company in the Atrium Group, this company has regenerated over 10,000 properties in the 15 years since its establishment. Its extensive knowledge and expertise in the field of real estate regeneration and revitalization have become a driving force for growth. Because Atrium's activities encompass both finance and real estate, it has the capacity to create its own solutions for a wide range of real estate problems.

Dedicated to customer satisfaction, it is determined to build and maintain an excellent reputation based on consistent regulatory compliance and good corporate governance.

Atrium Servicing Co., Ltd.

Loan servicing: Atrium Servicing buys specified monetary claims and earns income by managing and recovering these claims as a special servicer. As one of the few approved servicers that are also licensed for the real estate business, the company has an important advantage in this area. It aims to maximize recoveries by acquiring collateral properties itself and improving their value. While remaining alert to market changes, Atrium Servicing aims to expand its business activities to include business regeneration as well as real estate regeneration.

AIC Co., Ltd.

Real estate liquidation: AIC buys and sells development real estate and business real estate for medium- to long-term ownership. It also provides due diligence services for the Atrium Group, including surveys, valuations and risk-return analyses, credit screening services, as well as asset management and property management services for rental real estate.

Saison Information Systems Co., Ltd.

Information processing services: Saison Information Systems develops and operates systems, including card business and distribution systems. It also develops packages, especially communications middleware based on HULF technology. Under its medium-term management policy, Saison Information Systems is implementing five reform programs based on its philosophy of "meeting the challenge of change."

Saison Automobile and Fire Insurance Co., Ltd.

Non-life insurance: This company provides non-life insurance services, especially for individuals. Under its alliance with Sompo Japan Insurance Inc., it is developing new business activities targeting cardholders and modifying its business structure to provide an increased emphasis on direct marketing.

Board of Directors and Auditors (as of June 24, 2007)

Hiroshi Rinno
President and CEO

The rock'n roll songs that I first encountered in my youth stand out among my memories like glittering jewels. Everyone should hear "A Rockin' Good Way" performed as a duet by Brook Benton and Dinah Washington. Rock'n roll opened my eyes and made me more aware of life.

Teruyuki Maekawa
Executive Vice President
Head of Management Division
Director Responsible for Public Relations Office and Audit Office

Our challenge is to rediscover the ideals on which this company was founded. We must avoid pride and conceit and move forward steadily and with humility by improving our business capabilities and focusing our total energies on our management priorities. I want to be able to look back without regrets.

Toshiharu Yamamoto
Senior Managing Director
Head of Credit Division

We all have a finite time to live. The choices that we make as individuals determine how we spend that finite time, and whether our lives are filled with achievements or regrets.

Hideki Miyauchi
Senior Managing Director
Head of Finance Division

We face unprecedented challenges, and we must turn them into opportunities. Our credo is "never retreat, never flatter, never give up." My formula is that 10% theory + 90% action equals 200% results. My key word is "people."

Hidetoshi Suzuki
Managing Director
Head of Credit Card Division

Peter's Principle states that each employee tends to rise to his level of incompetence. This means that, in a merit-based system, everyone sooner or later reaches his or her limit of competence. Through active management, we aim to become a company where this does not apply.

Kazuhusa Inada
Managing Director
Head of Administrations Devision

We aim to be a community of people who have ambitious dreams and clear goals and are willing to work with tireless determination to achieve them. I will not let anyone hinder our efforts to achieve this ideal.

Naoki Takahashi
Managing Director
Head of Business Strategy Division

I specialize in marketing and finance. My management philosophy is to avoid the path of hegemony and follow the royal road. We need to have cool heads and warm hearts.

Mitsusuke Yamamoto
Managing Director
Deputy Head of Credit Card Division,
General Manager, UC Division

We face a challenging business environment, and we need to confront those challenges with perseverance and hard work. In particular, we need to enhance customer satisfaction by providing a wide range of services in the UC market.

Kenzo Tada
Director
General Manager, Alliance Division

I've decided to quit smoking, and I'm beginning to believe that it's possible, even for someone who smoked two or three packs a day. My approach to work is the same. I like new challenges.

Takayoshi Yamaji
Director
General Manager, Saison Division

To maintain strong customer support in a difficult business environment, we need to be optimistic, energetic and positive.

Kyosuke Togano
Director
Head of System Division

Although I specialize in digital systems, I have an analog personality. I like logical thought, but I am sports-oriented in my behavior.

Chikako Yokoi
Director
Depury Head of Credit Division

I believe in earning confidence through customer dialog and working resolutely to build a good customer base. Our goal is to be the industry leader in excellence.

Hideo Suzuki
Director
Head of Sales Division

I am determined to be honest, and to do what I believe is right in ways that everyone recognizes as right.

Hong Tae Kim
Director
Head of Retail Finance Division

This is a time of dramatic change in the credit card and non-bank industries. I aim to build a team that will earn recognition for management expertise.

Hiroshi Yamamoto
Director
Deputy Head of Finance Division

Our goal is to build a general financial company capable of providing our customers with optimal solutions. My approach is to combine intense curiosity with a positive outlook.

Yoshiro Yamamoto
Director *(External)*

We have entered an era of fierce competition. I aim to use my experience and knowledge to ensure that our executive staff is able to channel their full abilities in the right direction, using the right methods.

Hiromichi Sato
Standing Statutory Auditor

My talents are intense curiosity, the ability to act quickly, and the ability to retrieve order from chaos. I express these qualities through my passion for books, tidiness, weeding, pruning and beauty.

Masaru Sakurai
Standing Auditor *(External)*

I will do my best, drawing on my experience as head of CSR promotion at NEC, to ensure that Credit Saison can continue to achieve growth while also fulfilling its social responsibilities.

Hiroshi Tomizawa
Standing Auditor *(External)*

My role as external auditor is to examine business activities from a wide range of perspectives. I will use all of my past experience to perform this task to the best of my ability.

Kotaro Matsumoto
Standing Auditor *(External)*

I will work to ensure that Credit Saison earns and maintains a good public reputation as an excellent company, not only in terms of its business activities, but also from the perspective of broadly defined compliance.

Atsushi Toki
Auditor *(External)*

My field of specialization is business law, including Japanese company law. As an external auditor, I will use my knowledge to ensure that all of the actions of directors and other officers are in accordance with laws and regulations.

Corporate Governance

The Credit Saison Group is striving to enhance its business base and become Japan's No. 1 non-bank financial company. We recognize that, along with the achievement of business objectives, the reinforcement of corporate governance is vital for obtaining the understanding and support of all our stakeholders—our customers, business partners, employees and society. To increase management transparency and strengthen management supervision functions, the Company is developing internal control systems and strengthening its compliance posture.

Corporate governance system

The Board of Directors consists of 16 directors, including one outside director. It decides important management matters and supervises the directors' performance. To ensure that business is conducted properly and soundly and to strengthen corporate governance, the Board has acted to develop effective internal control systems and establish and maintain a framework to ensure group-wide compliance with laws, regulations and the Articles of Incorporation.

To ensure that directors perform their duties appropriately, the Board operates in accordance with the Board of Directors Regulations. The directors perform their duties in accordance with the Corporate Law, and properly manage the divisions under their control in accordance with the Organizational and Segregation of Duties Regulations to ensure that their business activities are executed appropriately and efficiently.

The Company has introduced a statutory auditor system. The Board of Corporate Auditors consists of five statutory auditors, including four outside statutory auditors. The statutory auditors conduct rigorous audits by attending Board of Directors meetings and other important meetings, reading important resolution documents, and examining the conduct of business and the state of the Company's assets. The Board of Corporate Auditors also audits the effectiveness and functioning of internal control systems and strives to ensure the early detection of problems and improvement of accuracy. To assist the statutory auditors in their duties, the Company has established the Auditors' Secretariat, which consists of specialists in internal auditing.

The Company plans and implements compliance measures, and engages in risk management. To that end, the Company has established the Compliance Department as a dedicated department to ensure the observance of laws, regulations and corporate ethics, and the Compliance Committee and Risk Management Committee as dedicated organizations to ensure compliance and risk management.

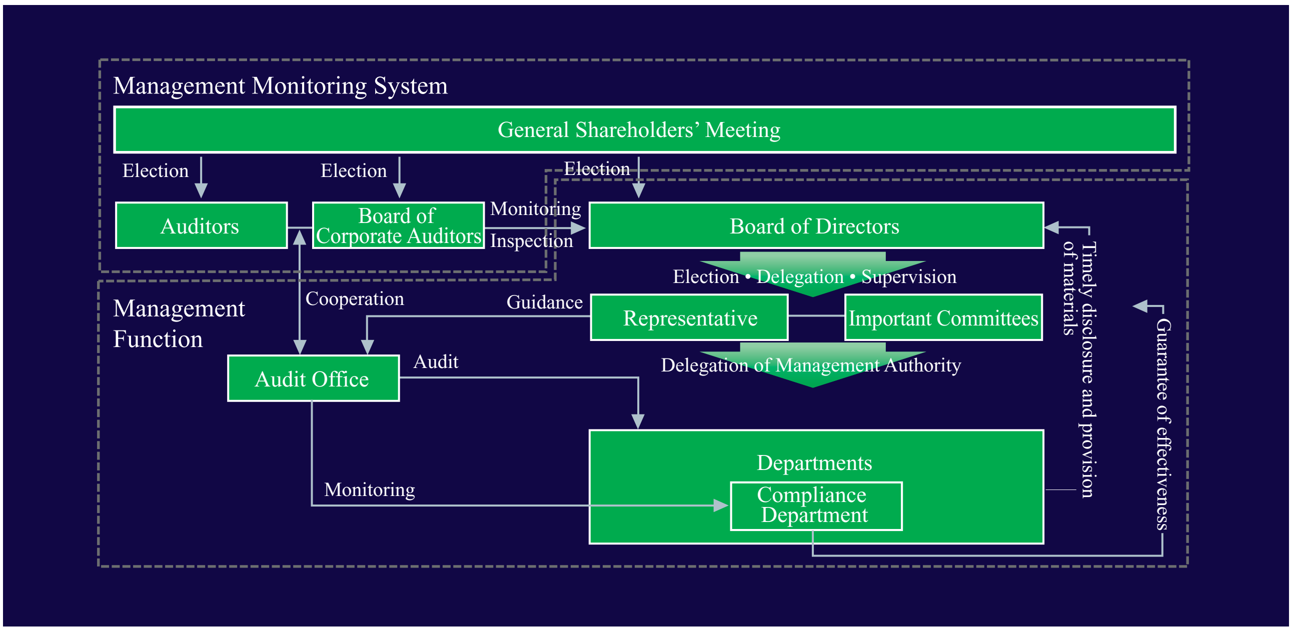
The Internal Audit Office audits compliance, risk management, internal control systems and corporate governance in the organizational operations and business activities of the entire Credit Saison Group, and makes evaluations and recommendations based on the results.

The Company will continue to work toward the optimal management structure, considering factors including global corporate governance trends and relevant statutes.

Remuneration for directors and statutory auditors

Under the new Corporate Law, the Company has revised its remuneration system for directors to clarify their responsibility for business execution and results and increase the independence of statutory auditors and outside directors. The Company has eliminated the previous retirement bonus system and unified compensation for the performance of duties, including directors' bonuses, and worked to increase awareness of the importance of business performance by promoting director ownership of Company shares.

Corporate Governance Structure



Remuneration, etc., paid to directors and statutory auditors in fiscal 2006 is as follows:

Details of remuneration for directors
Total remuneration paid to directors in fiscal 2006:
¥1,213 million (including ¥11 million to an outside director)
Total annual remuneration paid to statutory auditors in fiscal 2006:
¥55 million (including ¥25 million to outside statutory auditors)

Remuneration for independent auditors
Remuneration based on duties performed pursuant to Article 2, Paragraph 1 of the Certified Public Accountants Law: ¥47 million
Other remuneration: ¥3 million

Overview of internal control systems

As per the Corporate Law, the Board of Directors has set basic policies for directors to build a system that ensures compliance with laws, regulations and the Articles of Incorporation and the adequacy and efficiency of its business. These policies are based on a fundamental Company philosophy: "Always realize profitable growth and maximize the satisfaction of customers and other stakeholders by pursuing innovative ideas and strategies."

To develop internal controls in accordance with the Financial Instruments and Exchange Law (the so-called "J-SOX Law"), the Company has formed an internal project and is proceeding with group-wide preparations for full-scale implementation in April 2008.

With these systems, the Company aims to link internal control to the fulfillment of corporate social responsibilities by enhancing business performance and maximizing shareholder benefit while building trust with stakeholders through appropriate and efficient business operations.

Rigorous implementation and enhancement of compliance

Based on this reinforcement of corporate governance and internal controls, the Compliance Committee and Compliance Division are taking the lead in ensuring compliance with laws and regulations, fairness and morality in business activities. The Crisis Management Committee has a central role in developing a group-wide management structure for crisis management and ensuring a rapid response to crises.

Senior Managing Director Toshiharu Yamamoto chairs the Compliance Committee, which reports to the Board of Directors. To discuss compliance-related matters, the Committee convenes several times a year, and its secretariat meets more than 20 times a year.

Executive Vice President Teruyuki Maekawa chairs the Crisis Management Committee, which has developed a group-wide communication system and responds rapidly to crisis situations.

In fiscal 2006, to further enhance compliance, the Company reviewed its code of ethics and established standards of conduct and employee conduct guidelines. To ensure familiarity and observance within the Company rules, regulations and ethics, we have published these standards and guidelines in Our Compliance, a pamphlet distributed to regular and contract employees.

The Company is working to prevent misconduct and scandals by publicizing its compliance consultation desk. The consultation desk strives to create a user-friendly environment by maintaining systems inside and outside the Company for accepting inquiries, including dedicated addresses on the Company intranet and the Internet. When a report is received, the Compliance Division cooperates closely with an attorney to confirm the validity of the report and quickly resolve the matter, reports to the Board of Directors and Board of Corporate Auditors without delay, and then takes action to prevent reoccurrence.

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

In fiscal 2007, the Company will endeavor to increase compliance issue awareness by announcing that compliance officers and coordinators will also serve as J-SOX officers and coordinators.

Security and reliability of information systems

As the use of IT grows, maintaining the security and stability of information systems is becoming increasingly important to ensure that customers can rely on the Company's credit cards. Here, we have implemented countermeasures against system disruptions, which may be caused by a wide variety of factors, including natural disasters, accidents or computer viruses. Higher systems efficiency was achieved by centralizing clerical work. Credit Saison will continue efforts to keep its systems secure, reliable and efficient.

Risk management

To prevent and appropriately respond to risk, the Company has established risk management systems based on the Regulations Concerning Management of Risk of Loss and Crisis Management Regulations. The Company conducts periodic internal education and training for people working with risk management, and the Board of Directors periodically examines the regulations and issues revisions and improvements.

Proactive disclosure of information

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

URL for corporate and IR information:
http://corporate.saisoncard.co.jp/co.nsf/en/index.html

Corporate Social Responsibility (CSR) of Credit Saison

We aim to fulfill our social responsibilities by providing returns to our shareholders through activities that satisfy customers, are based on mutual respect for our interests and the interests of our business partners, and instill shared ideals and goals in our employees. We will also build a reputation for reliability by adapting flexibly to a changing business environment, and by ensuring regulatory compliance in all business activities.

The Credit Saison approach to CSR

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

(1) Activities that are essential to our corporate survival and the interests of our customers, employees, shareholders and investors

Our corporate mission is to conduct our business activities in a sound, appropriate and timely manner. This requires continual effort to improve management transparency and strengthen the systems used to monitor the achievement of management targets.

(2) Activities that contribute to society and the fulfillment of our responsibilities through our core business activities in the areas of credit cards and lending

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

■ Appropriate management of personal information

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

■ Preventing excessive indebtedness

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

(3) Activities that contribute to society in ways that are unique to Credit Saison

Tens of thousands of people, including our employees and their families, depend on the Credit Saison Group. We recognize our responsibilities as an employer, and work constructively to resolve any employment issues. As a distribution sector credit card company, we aim to use our business activities to provide services and contribute to society.

■ Resolving employment issues

Credit Saison aims to provide amenable working environments for all employees, regardless of age or gender. We have made several workplace improvements in response to changes caused by Japan's falling birthrate and expanding aged population. These include systems to help female employees continue working after marriage and childbirth, and more flexibility for employees caring for older relatives. We also actively re-employ retirees.

■ Developing unique services

Credit Saison maintains two-way communication with customers through a nationwide network of 174 service counters. Customer communication is also an important characteristic of our credit card business. We are always ready to advise customers about their credit use, and offer unique services to meet their needs.

This commitment to service is not limited to individual customers. We also work with our many partner companies to advance our mutual interests through the issuance of affinity cards and corporate cards.

Environmental protection and social contribution

Our customers can participate in social contribution activities with their cards. For example, points earned through card use can be used to make donations to charities, including the World Heritage Programme and World Terakoya Movement of the National Federation of UNESCO Organizations in Japan, the environmental activities of the Forest Culture Association, and guide dog training by the Japan Guide Dog Association.

Our credit cards are made from recycled materials, and we use environment-friendly materials to produce printed materials for customers. We encourage our employees to participate in the government's COOL BIZ initiative, designed to reduce the need for air conditioning in offices by introducing special summer dress codes. Other initiatives include the reduction of paper use in our offices, and the sorting of office waste to facilitate recycling.

Organization

Management Division This division is responsible for the implementation of the new medium-term management plan, the aim of which is to maintain and build Credit Saison's presence as a non-bank finance company in a rapidly changing business environment. Our goal is to curb cost increases by modifying our business structure and improving the stability of fund procurement activities. We are also working actively to improve the corporate value of the Credit Saison Group through M&A activities.

Administrations Division The mission of the Administrations Division is to ensure regulatory compliance and fairness and maintain high ethical standards in the business activities of Credit Saison by enhancing and strengthening corporate governance. Another goal is the revitalization of Credit Saison's human resources, leading to the creation of a reform-oriented corporate culture imbued with a sense of urgency and the spirit of competition.

Business Strategy Division The activities of the Business Strategy Division include the planning and development of new business activities, products and services, such as Eikyu Fumetsu.com, through alliances with financial institutions and companies in various industries. It also provides operational support for new products and services.

System Division The System Division designs and develops systems to rationalize existing operations and support the development of new products and services. It also designs and develops next-generation systems. It is currently preparing for the establishment of Qubitous Co., Ltd., a new joint processing company.

Credit Division As the core division in the group's new joint processing company, the Credit Division aims to ensure that customers will choose a Credit Saison card as their first credit card by providing top-quality services at all stages from card application processing to credit screening, invoicing, collection and customer inquiry processing.

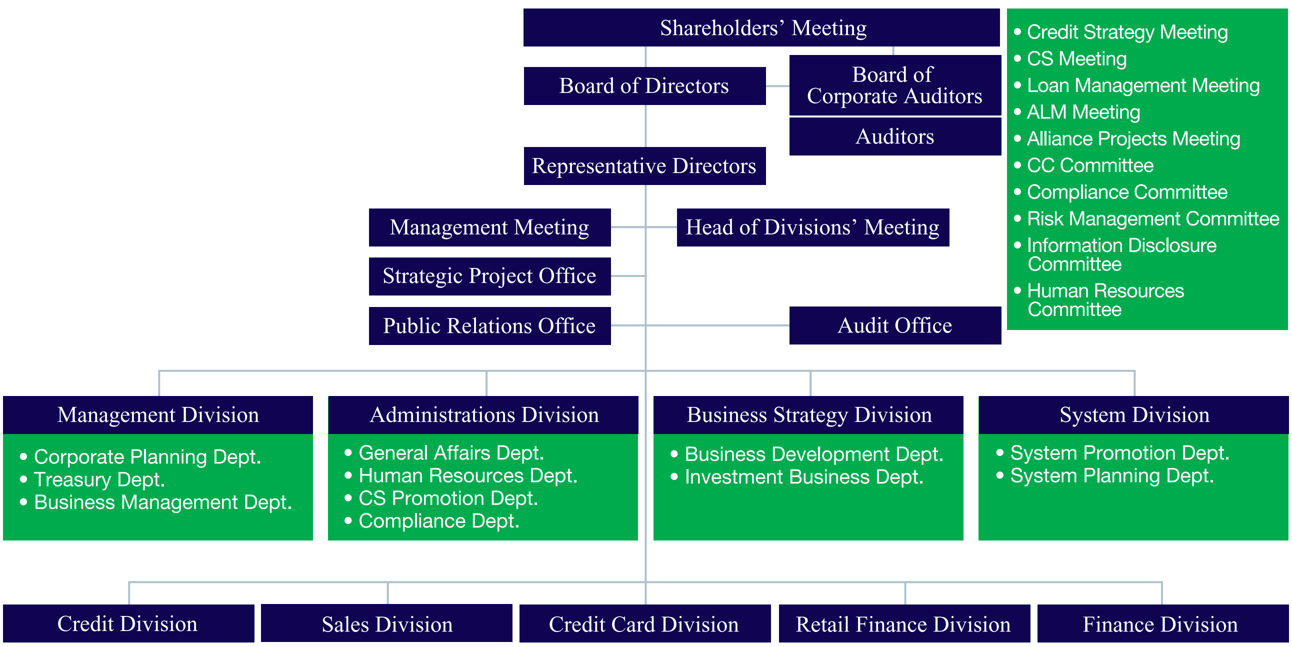
Sales Division This is the front-line organization for profit-focused efforts to reach our target market share of 30% by attracting cardholders and building the cardholder base. In the current year, the Sales Division will undertake a major review of its outlet strategy and restructure its sales network to ensure optimal use of resources.

Credit Card Division The mission of the Credit Card Division is to increase turnover by maintaining good customer communications and actively using the full potential of the Saison and UC brands to expand the partner base. It is also working to improve efficiency by developing and enhancing Web-based systems and expanding the Net Answer membership program.

Retail Finance Division The goal of this division is to turn the reduction of the maximum interest rate under the Money-Lending Business Control and Regulation Law into an opportunity by increasing the balance of credit card cash advances and card loans. Its medium- to long-term target is a 5% share of outstanding loans, and its strategies for the achievement of this target include the use of M&A to expand the scale of operations.

Finance Division The Finance Division provides financial solutions to a wide-range of customer needs, especially loans secured by real estate. Its goals are to optimize asset quality and increase earnings through the expansion of the loan balance.

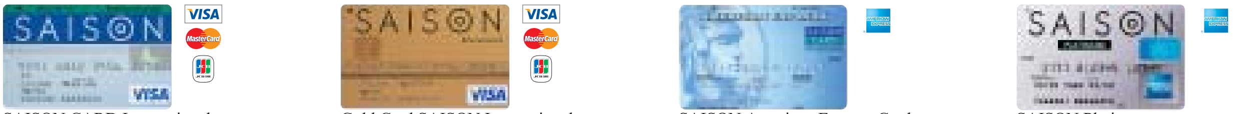
Strategic Project Office Activities include the coordination and monitoring of group-wide projects in response to industry restructuring and other strategic issues, and the coordination, development and promotion of new alliances.



Card Tie-Ups

Credit Saison has expanded its affinity card range across wide-ranging sectors. With a total cardholder base of 25 million, it issues more than 200 affinity cards, including those issued by affiliates, under SAISON and UC brands.

Standard

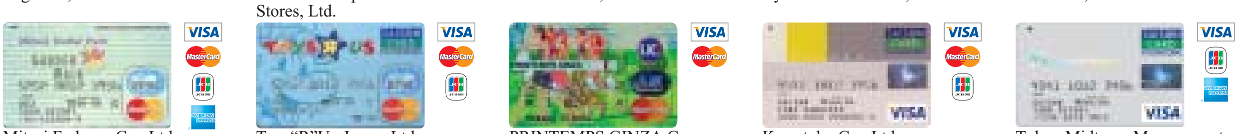


SAISON CARD International | Gold Card SAISON International | SAISON American Express Card | SAISON Platinum American Express Card

UC Card | UC Card Gold | UC Translucent | DAIBA Seaside-PASS

Shopping

Sogo Co., Ltd. | The Seibu Department Stores, Ltd. | The Loft Co., Ltd. | Ryohin Keikaku Co., Ltd. | Parco Co., Ltd.



Mitsui Fudosan Co., Ltd. | Toys“R”Us-Japan, Ltd. | PRINTEMPS GINZA Co., LTD. | Kawatoku Co., Ltd. | Tokyo Midtown Management Co., Ltd.

Takashimaya Company, Limited | Takashimaya Company, Limited | Yamada Financial Co., Ltd. | LAWSON CS Card, Inc. | Daiwa House Financial Co., Ltd.

Travel & Entertainment

SEIBU Group | United Airlines, Inc. | TOHO Cinemas Ltd. | Japan Football Association | Tokyo Metro Co., Ltd.

Financial Institutions

Mizuho Bank, Ltd. | Resona Card Co., Ltd. | Shizugin Saison Card Co., Ltd. | Sony Bank Inc. | Monex, Inc.

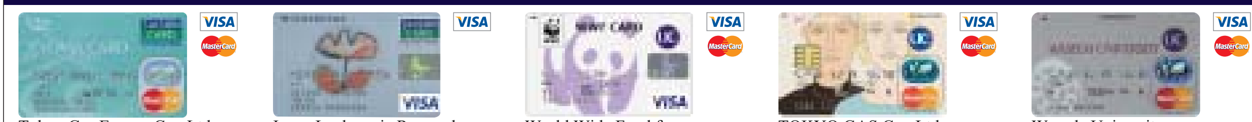
Internet and Communications

NTT DoCoMo, Inc. | KDDI CORPORATION | SOFTBANK MOBILE Corp. | WOWOW Inc. | NIFTY Corporation

Automotive

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

Social Contribution and Others



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

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	2007	2006	2005	2004	2003	2002	2007
CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	¥ 333,683	¥ 274,666	¥ 240,385	¥ 220,332	¥ 212,242	¥ 214,838	$ 2,825,668
Selling, general and administrative expenses	242,149	193,126	172,024	156,502	147,018	141,795	2,050,548
Financial cost	16,333	11,965	9,771	9,825	12,810	13,370	138,307
Operating income	75,201	69,575	58,590	54,005	52,414	59,673	636,813
Net income (loss)	14,822	42,220	31,818	22,420	(6,027)	18,225	125,512
At year-end:							
Total net assets (Note 2)	¥ 399,828	¥ 377,127	¥ 301,310	¥ 258,253	¥ 236,028	¥ 242,594	$ 3,385,794
Total assets	2,299,607	2,062,612	1,512,949	1,352,710	1,280,823	1,256,899	19,473,343
Interest-bearing debt (Note 3)	1,608,307	1,480,380	1,146,928	1,011,563	965,082	885,270	13,619,333
Per share data (in yen and U.S. dollars):							
Net income (loss) per share	¥ 82.79	¥ 237.29	¥ 185.00	¥ 130.55	¥ (36.57)	¥ 108.56	$ 0.70
Net assets per share	2,077.69	2,013.85	1,721.35	1,519.13	1,380.26	1,436.58	17.59
Key financial ratios (%):							
Return on shareholders' equity (ROE)	4.0	12.8	11.4	9.1	—	7.8	
Return on assets (ROA)	0.7	2.4	2.2	1.7	—	1.2	
Shareholders' equity ratio	16.2	17.5	19.9	19.1	18.4	19.3	
NON-CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	¥ 270,275	¥ 216,453	¥ 190,248	¥ 175,725	¥ 171,843	¥ 154,204	$ 2,288,720
Selling, general and administrative expenses	204,765	156,887	135,403	123,746	121,111	105,555	1,733,974
Financial cost	14,067	9,700	8,186	7,154	7,607	7,402	119,121
Operating income	51,442	49,886	46,659	44,825	43,124	41,248	435,617
Net income (loss)	10,221	27,131	25,798	24,396	(5,026)	12,286	86,553
At year-end:							
Total net assets (Note 2)	¥ 349,754	¥ 341,423	¥ 298,502	¥ 261,793	¥ 237,175	¥ 243,492	$ 2,961,758
Total assets	1,962,996	1,761,666	1,290,067	1,155,776	1,085,349	1,057,841	16,622,881
Interest-bearing debt (Note 3)	1,350,134	1,239,043	948,561	828,639	779,451	698,510	11,433,093
Per share data (in yen and U.S. dollars) (Note 2):							
Net income (loss) per share	¥ 57.03	¥ 152.21	¥ 149.78	¥ 142.00	¥ (30.34)	¥ 72.50	$ 0.48
Net assets per share	1,945.22	1,904.13	1,703.39	1,536.51	1,383.04	1,436.80	16.47
Dividends per share	28.00	26.00	20.00	18.00	18.00	18.00	0.24
Key financial ratios (%):							
Return on equity (ROE)	3.0	8.5	9.2	9.8	—	5.2	
Return on assets (ROA)	0.6	1.8	2.1	2.2	—	1.2	
Equity ratio	17.8	19.4	23.1	22.7	21.9	23.0	
TRANSACTION VOLUME: NON-CONSOLIDATED							
Credit-card-related shopping services	¥3,433,872	¥2,527,808	¥2,078,117	¥1,912,211	¥1,808,625	¥1,629,199	$29,078,432
Shopping loans	5,693	6,952	9,440	13,368	17,370	19,267	48,209
Guarantees	85,431	62,097	36,179	31,684	53,434	56,317	723,440
Cash advances and specialty loans	1,058,335	739,038	592,359	555,984	600,447	555,132	8,962,105
Agency services	809,992	747,998	576,270	328,120	398,725	400,026	6,859,107
Leases	87,488	90,011	82,999	73,665	71,960	51,789	740,859
Merchandise sales	—	—	—	2,763	9,445	9,282	—
Others	10,700	9,794	8,317	6,605	9,789	9,427	90,609
Total volume of new contracts	5,491,515	4,183,698	3,383,681	2,924,399	2,969,794	2,730,438	46,502,794

Notes: 1. Operating revenues does not include consumption taxes.
2. Effective from the year ended March 31, 2007, the Company adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5) and "Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8). Under the previous accounting standard, total net assets were recorded as shareholders' equity. The figure for total net assets for the year ended March 31, 2006 has been calculated using the new accounting standards. Figures for prior years utilize the old standards.
3. Interest-bearing debt includes asset-backed securities.
4. Japanese yen amounts have been translated into U.S. dollars at the rate of ¥118.09= U.S.$1, the approximate exchange rate on March 31, 2007, for the convenience of the reader.

THE CREDIT SAISON GROUP

The Credit Saison Group is comprised of five business segments: "Credit & Finance," "Entertainment," "Real Estate," "Lease," and "Other." Credit & Finance is the most important segment, consisting mainly of consumer credit business such as consumer credit cards and loans to individuals. Approximately 80% of total operating revenue in fiscal 2006 was provided by this one segment.

Operating revenues of the Group consist primarily of fees from affiliated stores generated by credit card and installment purchases, and customer fees generated by revolving account payments, card cash advance transactions, specialty loans and other transactions.

Operating expenses consist primarily of advertising expenses, point redemption costs, costs of uncollectible receivables, personnel expenses, payment fees, and financial costs. A significant percentage of advertising and personnel expenses represent the cost of acquiring new customers including new cardholders to generate future revenue growth.

CHANGES IN THE SCOPE OF CONSOLIDATION

During the current fiscal year, The Credit Saison Group reduced its consolidated subsidiaries by two to nine companies. The Group had nine affiliated companies accounted for by the equity method, adding three companies during the current fiscal year, namely Shizugin Saison Card Co., Ltd., Daiwa House Financial Co., Ltd., and Takashimaya Credit Co., Ltd. With regard to consolidated subsidiaries, A.I.C.LLC. changed its name to A.I.C. Co., Ltd. as of February 14, 2007 in accordance with the accounting standards specified in the Corporate Law, and Noa Planning Co., Ltd. changed its name to Vivre Co., Ltd. as of March 1, 2007 as a result of a merger with Vivre Co., Ltd. Meanwhile, Saison Direct Marketing Co., Ltd. passed a resolution dissolving itself at the extraordinary meeting of shareholders held on July 26, 2006, and completed its liquidation on February 28, 2007.

ANALYSIS OF INCOME STATEMENTS

The Japanese economy in fiscal 2006 proved resilient, with steady capital investments, further improvement in employment conditions along with the recovery of corporate earnings, and modest growth in personal consumption, supported by strong corporate results. In the non-banking sector, however, with the promulgation of the Amendment to the Money Lending Business Control and Regulation Law December 2006, the business environment has become increasingly challenging. Among other things, revenues have decreased due to the enforcement of restrictions on new lending and cuts in interest rates of loans to customers, and a requirement for additional funding to the allowance for losses on interest repayments based on applicable guidance from the Japanese Institute of Certified Public Accountants.

During the current fiscal year, Credit Saison's operating revenues increased by 21.5% year on year to ¥333,683 million. Operating income increased by 8.1% year on year to ¥75,201 million. However, current term net income decreased by 64.9% year on year to ¥14,822 million.

Operating Revenues and Expenses, and Operating Income

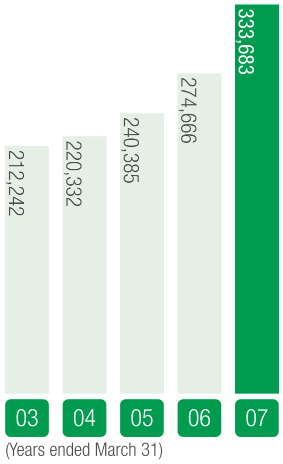
In fiscal 2006, operating revenues increased by 21.5%, or ¥59,017 million, compared to the previous fiscal year, to ¥333,683 million. This is because our main segment, Credit & Finance, posted ¥274,231 million, an increase of 27.9%, or ¥59,781 million, year on year. This was made possible through the merger with UC CARD Co., Ltd. (card issuance business) in January 2006 and expansion in our consumer credit business in areas such as consumer credit cards and loans to individuals. The Real Estate segment also contributed with a strong performance, increasing by 8.2%, or ¥1,509 million, year on year to ¥19,870 million.

Operating expenses amounted to ¥258,482 million, an increase of 26.0%, or ¥53,391 million, compared to the previous fiscal year. A major cause of this was the cost of uncollectible receivables which increased by 29.3% year on year to ¥60,417 million due to an increase in installment accounts receivables including an increase in credit card receivables from the growth of transaction volume, an increase in receivables intervened by third parties including attorneys, and an increase in claims for interest repayments.

With increased spending on advertisements and promotions aimed at acquiring new credit cardholders through aggressive sales development activities, advertising expenses in the Credit & Finance business segment increased by 38.2% over last year to ¥25,375 million. In addition, both the allowance for point program and the fees paid increased as the credit cards

Total Operating Revenues

(Millions of yen)



(Years ended March 31)

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

(Millions of yen)

Years ended March 31,	2007	2006	% change
Cost of uncollectible receivables	¥ 60,417	¥ 46,711	29.3
Included in above:			
Allowance for losses on accounts receivable	53,272	44,276	20.3
Losses on accounts receivable	536	694	(22.7)
Provision for losses on interest repayment	4,065	—	—
Allowance for losses on guarantees	2,543	1,741	46.1
SG&A expenses excluding cost of uncollectible receivables	181,731	146,414	24.1
Included in above:			
Advertising expenses	25,375	18,362	38.2
Provision for point program	11,205	8,418	33.1
Personnel expenses	40,472	37,155	8.9
Fees paid	50,900	34,646	46.9
Total SG&A expenses	¥ 242,149	¥ 193,126	25.4

and card transaction volume grew. For fiscal 2006, therefore, additions to the provisions for point program amounted to ¥11,205 million, an increase of 33.1% year on year, and fees paid increased by 46.9% year on year to ¥50,900 million.

As a result, operating income for fiscal 2006 increased by 8.1%, or ¥5,626 million, over the previous year to ¥75,201 million.

Non-Operating Revenues and Expenses, and Net Income

Net non-operating losses increased by ¥22,811 million year on year to ¥41,591 million, the main reasons being provision for losses on interest repayments of ¥40,925 million and ¥5,447 million in depreciation expenses of lease assets.

As a result, net income before income taxes decreased by 33.8% year on year to ¥33,610 million. Income taxes, etc., amounted to ¥14,270 million. Consequently, current term net income decreased 64.9%, or ¥27,398 million, year on year to ¥14,822 million, and current term net income per share decreased from ¥237.29 per share to ¥82.79 per share.

POLICY FOR RETURN TO SHAREHOLDERS

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 increased dividends per share for fiscal 2006 by ¥2 to ¥28 per share. It is the Company's policy to make efficient investments of internal capital reserves to facilitate the achievement of the low cost operation and sustainable expansion of its business.

In addition, as a shareholder benefit, we have set up a special complimentary program which will provide 'SAISON *Eikyufumetsu* Points (a point system that allows customers to accumulate unlimited credit card points redeemable at any time)'. These points will be given to shareholders who are also Saison Card holders in proportion to their respective share holdings.

REVIEW OF OPERATIONS BY SEGMENT

Credit & Finance

This segment consists of the credit, lending, and servicer (loan collection agency) businesses. Segment operating revenues for fiscal 2006 increased by 25.4% year on year to ¥284,192 million, and segment operating income increased by 12.4% year on year to ¥61,485 million.

1. Credit Card Business

In the credit card business sector, the market scale has been continuously growing, as the use of credit cards for regular payments for mobile phone bills, public utility bills, etc., has increased. With the scope of credit card usage expanding to the ETC (electronic toll collecting) system and the medical field, the penetration of mobile credit has begun.

Meanwhile, concerning the situation where the cap interest rate was raised pursuant to the Law Concerning the Regulation of Receiving of Capital Subscription, Deposits and Interest on Deposits and the amendment to the Money Lending Business Control and Regulation Law with the regulations of total volume as its core cast its effect, sector companies are compelled to reconstruct their respective business models. Therefore, further sector reorganization can be expected. In this environment, we made a variety of alliances to expand our customer base and enhance our position as a leading company in the credit card business sector.

The number of new cardholders for fiscal 2006 totaled 4 million, and the number of cardholders as of March 31, 2007 totaled 25 million, an increase of 9.3% year on year. In addition, card shopping transaction volume amounted to ¥3,433.8 billion, an increase of 35.8% year on year, and the number of active holders of such cards was 12 million for fiscal 2006, an increase of 6.9% year on year. Also, the balance of shopping-related revolving credit contracts amounted to ¥239.4 billion, an increase of 9.6% year on year, of which ¥10.0 billion has been securitized by the Company, resulting in a balance of ¥229.3 billion. Furthermore, cash advances and Cash Plus Loan receivables totaled ¥579.2 billion, an increase of 4.9% year on year, of which ¥30.0 billion has been securitized by the Company, resulting in a balance of ¥550.5 billion.

Operating Revenues and Operating Income by Segment

(Millions of yen)

	Operating Revenues			Operating Income		
Years ended March 31,	2007	2006	% change	2007	2006	% change
Credit & Finance	¥ 284,192	¥ 226,597	25.4	¥ 61,485	¥ 54,694	12.4
Entertainment	16,920	17,919	(5.6)	2,045	2,688	(23.9)
Real Estate	20,575	19,300	6.6	9,499	9,512	(0.1)
Lease	6,795	7,183	(5.4)	2,171	3,336	(34.9)
Other	6,579	5,135	28.1	5,425	3,852	40.8
Total	335,061	276,134	21.3	80,625	74,082	8.8
Eliminations or corporate	(1,378)	(1,468)	—	(5,424)	(4,507)	—
Consolidated	333,683	274,666	21.5	75,201	69,575	8.1

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

Key Initiatives in the Credit Card Business during Fiscal 2006

Alliance Network Expansion and New Initiatives

Growth in cardholders through promotions of strategic alliances

Credit Saison and Yamada Denki Co., Ltd., the top home appliances retailer in Japan, entered into a comprehensive business alliance relationship for the credit card business. Both companies contributed capital and established Yamada Financial Co., Ltd., which started offering the 'Yamada LABI Card' in July 2006.

We strengthened our business alliance with the Takashimaya Group and issued the new 'Takashimaya Card GOLD' for the high wealth market, and at the same time consolidated the respective processing operations for this new card and the existing 'Takashimaya Card' into one operation to achieve further efficiency.

In January, 2007, we entered into a business alliance with SoftBank Mobile Corp. and started issuing the 'SoftBank Card,' the official credit card for SoftBank mobile phone service subscribers.

Moreover, in order to explore new customer types, we entered two alliance agreements in the retail finance business area; one with The Shizuoka Bank, Ltd., in July 2006; and another with Yamaguchi Financial Group, Inc. in March 2007. Under these agreements, we will integrate the local bank's "local network capacity" with Credit Saison's "customer-centric marketing capacity," and provide more complete financial services for a wide range of customers in the region.

Initiative for exploring the small-sum payment and settlement market

With regard to the new mobile credit services that have been rapidly spreading, we introduced the 'KDDI THE CARD SAISON' that works for 'QUICPay™,' and also added the 'i D™', a mobile phone's credit card function from NTT DoCoMo Inc., to the 'Mizuho Mileage Club Card'. We are striving to realize services that will meet our customers' needs.

In addition, we began an initiative to explore the small-sum payment and settlement market by utilizing E-Money. For example, we started offering the PASMO auto-charge service on the 'Prince Card,' the 'Tokyo Metro To Me CARD,' and other cards. We also introduced the 'KIPS PiTaPa Card' in conjunction with the launch of the PiTaPa system at railway stations by Kintetsu Corporation in April 2007.

Strengthening of Our Business Base

Strengthening of the organization

In order to maximize the synergy effect between the SAISON and UC subsequent to the merger with UC CARD Co., Ltd. (card issuance business), in September 2006, Credit Saison consolidated the functions of the Headquarters of UC and the Credit & Finance business segment. In February 2007, we carried out changes to our organization, aiming for an overall slimmer organization. This initiative allowed us to efficiently utilize our business assets and build an agile organizational structure.

Ensuring of Credit risk management

With regard to Credit risk, while the number of voluntary bankruptcies has been stabilizing, the receivables intervened for by third parties such as attorneys and claims for interest repayments have been on the rise. Therefore, the Company is focusing on improving the quality of its receivables by continuously enhancing its screening and monitoring processes, while striving to provide each customer with the most appropriate credit line and ensuring well-balanced finance management between revenues and risks.

New Developments and Future Initiatives

Launch of an online shopping mall "Eikyufumetsu.com"

As online shopping markets have been rapidly expanding, Credit Saison has started an online shopping mall called "Eikyufumetsu.com" for its Net Answer members as one of the new services making the best use of its original Eikyufumetsu points.

Expansion of investment-related services

Mainly in response to the asset building needs of baby boomer juniors and women, Credit Saison established the wholly owned subsidiary Saison Asset Management Co., Ltd., which obtained a license to operate as an investment trust company from the Financial Service Agency and commenced business operations in January 2007. Products offered include original investment trust products that incorporate products offered by Sawakami Asset Management Inc., the pioneer of long-term investments in Japan, as well as The Vanguard Group, one of the largest mutual fund companies in the world.

2. Card Loan Business

Credit Saison Group provides a variety of credit card loans including loans through such cards as the 'Speed Cashing,' the 'Cash Reserve' and the 'VIP Loan Card,' which bases its appeal on ample credit limits. In addition, in March 2006, the Company started offering a new loan card product called the 'SAISON Card Loan,' which can respond to each customer's various funding needs with a generous credit line and an interest rate that corresponds to an individual customer's creditworthiness. The number of loan cards issued totaled 230 thousand cards, a 15.4% increase year on year. The balance of card loan receivables amounted to ¥81.9 billion, a 16.7% increase year on year.

3. Other Consumer Loans

In addition to card loans, Credit Saison provides a variety of unsecured consumer loans. These include 'Member's Loans' for SAISON Card cardholders. The balance of other consumer loan receivables was ¥67.0 billion, a 4.5% year-on-year decrease.

4. Real Estate Finance Business

Credit Saison is engaged in the financing business collateralized by real estate properties, mainly providing business loans. In this business, the Company utilizes its capability for real estate evaluations, know-how of real estate securitization, and the network it has been building over the years through its real estate business. Business loans for real estate companies remained strong, with the balance of loans being ¥221.3 billion, an increase of 111.1% compared to the previous fiscal year.

5. Credit Guarantee Business

Credit Saison focused on obtaining high-quality facilities by utilizing its close business relationships with affiliated financial institutions in both sales and management. The number of business alliances increased by 18 from the end of the previous fiscal year, including The Chiba Bank, Ltd. with which we entered into an alliance in March 2007 in the guarantee business for unsecured consumer loans.

6. Servicer (Loan Collection Agency) Business

With its focus on the agency business for small amount unsecured loan receivables, Credit Saison Group made progress into new business areas including collections for government and municipal offices and public utilities in addition to credit card companies and financial institutions. The Company also incorporated know-how in credit management and collection acquired over the years into its system, building a highly efficient business operation.

Entertainment Business

This segment consists of the amusement business and other operations. In the amusement business, Credit Saison continued to create sound, safe, and comfortable facilities that have the support of their regional communities. However, due to stricter regulations on game machines, operating revenues decreased 5.6% from the previous year to ¥16,920 million, while operating income decreased by 23.9% to ¥2,045 million compared to the previous year.

Real Estate Business

This segment consists mainly of the real estate securitization business, servicer business, and real estate fund business.

In the real estate and real estate-related financial markets in which the Atrium Group engaged itself, real estate transactions have gained momentum. Demand for investments in real estate investment trusts (J-REIT) and privately placed real estate funds has grown, and vacancy rates in the center of Tokyo and other large cities have decreased, while rents have risen. In such environment, the Company carried out aggressive sales activities in the Real Estate business segment.

As a result, the real estate business, helped by strong earnings from Atrium Group increased operating revenue by 6.6% over the previous year to ¥20,575 million.

1) Real estate distribution business

Credit Saison engaged in smooth acquisitions of properties and well-planned sales of real estate properties, improved the investment efficiency of the real estate business, and carried out further securitization of assets held for sale (beneficiary rights in trusts) to be accounted for as off balance sheet transactions with the aim of converting it from an asset-oriented business to a fee business.

2) Servicer business

As financial institutions make progress in writing off bad loans and competition in purchasing among servicer companies becomes fierce, the Company is placing a particular emphasis on sales activities targeting regional financial institutions. Also, amid the general perception that the real estate market has hit a low, the Company strived to ensure collections through foreclosures of real estate properties, and steadily enhanced initiatives for “business revival facilities”.

3) Real estate fund business

The Company strived to achieve an increase in the values of real property holdings through large-scale renewal of the property portfolio. It also sought the improvement and stabilization of cash flow and operating ratio through adequate leasing, and pursued the ‘maximization of asset value’ by reducing the expense ratio through stricter property management.

Lease Business

The overall leasing market remains steady, supported by strong corporate capital investment. However, due to the amendment to the notification of the Act on Specified Commercial Transactions and increasing lease transaction-related troubles stemming from inappropriate sales methods by some sales companies, the Company’s lease transaction volume decreased by 2.8% year on year to ¥87.4 billion. Operating revenues decreased by 5.4% year on year to ¥6,795 million, and operating income decreased by 34.9% year on year to ¥2,171 million.

Others

This segment is comprised of the insurance agency business, etc. Operating revenues increased by 28.1% year on year to ¥6,579 million, and operating income increased by 40.8% year on year to ¥5,425 million.

Note: Atrium Co., Ltd. is involved in 2 of our business segments: Real Estate and Credit & Finance (in the areas of real estate finance business and credit guarantee business). For the period ending February 2007, consolidated revenues were ¥105,195 million (a 42.2% increase year on year), consolidated ordinary income was ¥13,874 million (a 59.4% increase year on year), and consolidated net income was ¥7,086 million (a 60.8% increase year on year). Some of the consolidated subsidiaries of Atrium Co., Ltd. that are insignificant in terms of the effect on the Company’s consolidated financial statements are not included in the scope of consolidation by the Company.

Note: Analysis by location is not contained herein, since the Company has no consolidated overseas subsidiaries or branches.

LIQUIDITY AND FINANCIAL POSITION

Fund Procurement and Liquidity Management

The Credit Saison Group emphasizes stability and low cost when procuring funds, and pursues the diversification of fund procurement methods. Key procurement methods include negotiated transactions with banks, farming and forestry-related financial institutions, life insurance companies, and non-life insurance companies. In addition, the Group procures funds indirectly through syndicated loans and committed lines of credit, and can procure funds directly by issuing corporate bonds and commercial paper, and securitizing receivables. Consolidated interest-bearing debts (including those procured through off-balance sheet securitizations in the amount of ¥130.0 billion) as of March 31, 2007 totaled ¥1,608.3 billion. Of this total, loans accounted for 65.5%, bonds accounted for 17.1%, commercial paper accounted for 6.3%, and securitized receivables accounted for 11.1%.

With regard to indirect fund procurement, in an effort to mitigate refinance risks and reduce costs, the Company is attempting to form further alliances with existing lenders. It also aims to diversify the sources of procurement and examine new counterparties, targeting financial institutions with which the Company can expect long-term stable transactions. In terms of direct fund procurement, in an effort to mitigate liquidity risk and reduce costs the Company not only utilizes corporate bonds and commercial paper, but also structures new fund procurement schemes including securitization of receivables which will be unaffected by the creditworthiness of the Company.

To support smooth fund procurement from the capital market, Credit Saison Co., Ltd. has obtained credit ratings for the bonds it issues. The Company has been given an “A+” rating for domestic unsecured corporate debentures, and an “a-1” rating for domestic commercial paper by Rating and Investment Information, Inc.

With regard to securing liquidity, of the total assets held by the Credit Saison Group, the installment accounts receivables with the credit card business as its core accounts for 72.7%. Their yearly average turnover is more than three times, helping the Company maintain a high level of liquidity.

Cash Flow

Net Cash Provided by Operating Activities

Net cash provided by operating activities was ¥11,990 million (net cash of ¥99,343 million was used in the previous fiscal year.) The factors include: net income before income taxes and minority interest amounting to ¥33,610 million; allowance for losses on interest repayments increasing to ¥38,399 million; ¥65,130 million as depreciation and amortization expenses was charged; payables (mainly accounts payable to card member stores) increased by ¥57,048 million because the last day of the fiscal year for settlement of accounts did not fall under a business day for financial institutions; and receivables increased by ¥272,686 million as card business transaction volume grew and the scale of the loans collateralized by real estate properties expanded.

Meanwhile, the Company securitized the balance of the business receivables at the end of fiscal 2006 and received proceeds of ¥90.0 billion.

Net Cash Used in Investing Activities

Net cash used in investing activities was ¥82.8 billion, a decrease of 30.3% year on year. This is due mainly to the acquisition of tangible and intangible fixed assets including lease assets at a cost of ¥96,204 million.

Net Cash Provided by Financing Activities

Net cash provided by financing activities decreased by 70.9% year on year to ¥66,835 million. This is the result of: income of ¥196.6 billion from long-term borrowings as part of focusing on medium- and long-term fund procurement, and income of ¥58,611 million from the issuance of corporate bonds; and, on the other hand, expenditure of ¥89,152 million due to the decrease in short-term debts, expenditure of ¥58,368 million on repayments for long-term borrowings, expenditure of ¥16,455 million on redemptions of corporate bonds, and net decrease of ¥11.7 billion in commercial paper.

As a result, cash and cash equivalents at the end of fiscal 2006 decreased by ¥3,917 million from the previous year to ¥62,397 million.

Assets, Liabilities and Shareholders' Equity

Total assets at the end of fiscal 2006 increased by 11.5% or ¥236,995 million from the end of the previous fiscal year to ¥2,299,607 million.

Current assets increased by 12.2% or ¥202,874 million from the end of the previous fiscal year to ¥1,872,307 million. The main contributing factor was the increase in inventories including the increase in installment account receivables from the growth in card transaction volume, purchased loan receivables, and real estate properties for sale. Of the balance at the end of fiscal 2006, card shopping receivables in the amount of ¥100.0 billion (monthly payment of ¥90.0 billion and revolving of ¥10.0 billion) and cash advance receivables in the amount of ¥30.0 billion were securitized to be accounted as off-balance sheet transactions.

Property and equipment increased by 3.0% or ¥6,012 million from the end of the previous fiscal year to ¥205,952 million, mainly because lease assets increased by ¥25,863 million from the end of the previous fiscal year. Investments and other assets increased by 14.5% or ¥28,109 million year on year to ¥221,348 million. The main contributing factor was the increase of deferred income taxes by ¥15,231 million over a year earlier.

Total liabilities as of the end of the current fiscal year increased by ¥214,294, a 12.7% increase year on year to ¥1,899,779 million.

Current liabilities increased by ¥23,953 million, a 2.7% increase from the end of the previous fiscal year, to ¥924,123 million. This is due primarily to the increase in bills and notes payable and other payables as well as the increase in corporate bonds scheduled to be redeemed within 1 year and the allowance for losses on interest repayments.

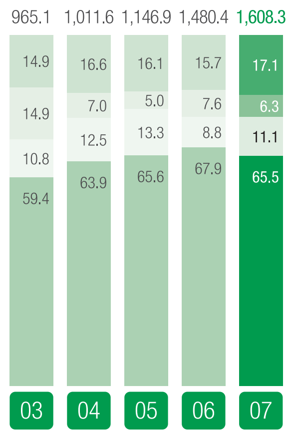
Long-term liabilities increased by ¥190,341 million, a 24.2% increase from the end of the previous fiscal year, to ¥975,656 million. Long-term debt increased by ¥148,387 million, a 20.1% increase from the end of the previous fiscal year, to ¥888,209 million.

As a result of the above, interest-bearing debts amounted to ¥1,478.3 billion, an increase of 4.8%, or ¥67,927 million from the end of the previous fiscal year. (Interest-bearing debts including securitized receivables are accounted for as off-balance sheet transactions in the amount of ¥130.0 billion amounted to ¥1,608,307 million.)

Total net assets increased by 6.0% or ¥22,701 million from the end of the previous fiscal year to ¥399,828 million. Meanwhile, the Company's regulatory capital adequacy ratio was 16.2%, a decline from 17.5% year on year, and its ROE was 4.0%, a decline of 12.8% year on year.

Composition of Interest-Bearing Debt

(Billions of yen/%)

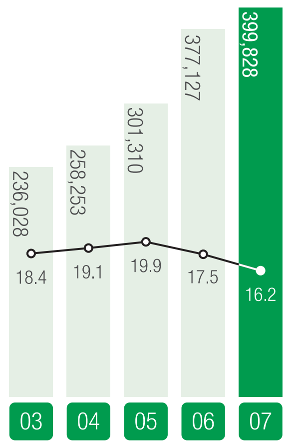


(Years ended March 31)

Loans
Asset-backed securities
Commercial paper
Bonds

Changes in Total Net Assets and Capital Adequacy Ratio

(Millions of yen/%)



(Years ended March 31)

Total net assets
Shareholders' Equity ratio

CREDIT RISKS

Of total receivables (i.e., the balance calculated by adding up the balance of installment accounts receivables, and the balance of contingent liabilities related to the credit and finance businesses, and the balance of lease receivables undue), receivables overdue by more than 90 days amounted to ¥52,591 million, an increase of 20.8% year on year. The balance of the allowance for uncollectible receivables (current assets) at the end of fiscal 2006 was ¥65,207 million, an increase of 12.1% year on year. Consequently, the ratio of the allowance to the receivables overdue for more than 90 days was 129.5%, decreased from 138.9% at the end of the previous fiscal year.

Note: The Company changed the method used to estimate the allowance for losses on interest repayments starting fiscal 2006. Due to this change, a certain part of losses on interest repayments that used to be accounted for as the allowance for uncollectible receivables was transferred to the allowance for losses on interest repayments. Figures for fiscal 2006 in Tables 3 and 4 are listed based on the method subsequent to said change.

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, 2007.

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

Financial system has undergone substantial deregulation in recent years, which has resulted in energetic restructuring of the retail financial services industry in Japan. 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 approxi-

Comparison of Delinquent Receivables and the Allowance to Receivables

(Millions of yen)

	2007	2006	% change
(1) Receivables	¥ 2,162,198	¥ 1,861,829	16.1
(2) Receivables overdue by more than 90 days	52,591	43,521	20.8
(3) Collateralized portion included in (2)	2,237	1,626	37.6
(4) Allowance for losses on receivables included in current assets	65,206	58,189	12.1
Receivables overdue by more than 90 days as a percentage of receivables [(2) ÷ (1)]	2.4%	2.3%	—
Ratio of allowance of losses on receivables to receivables overdue by more than 90 days [(4) ÷ ((2) – (3))]	129.5%	138.9%	—
(Reference) Receivables overdue by more than 90 days excluding collateralized portion as a percentage of receivables [((2) – (3)) ÷ (1)]	2.3%	2.3%	—

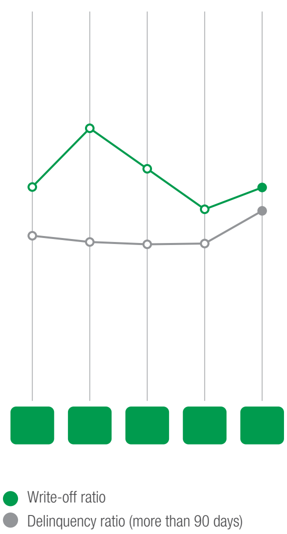
Changes in the Allowance for Uncollectible Receivables

(Millions of yen)

	2007	2006	% change
Allowance for losses on receivables at the beginning of the year	¥ 65,948	¥ 46,969	40.4
Increase	55,014	60,581	(9.2)
Decrease (Reversal)	50,388	41,603	21.1
Allowance for losses on receivables at the end of the year	70,574	65,948	7.0
(Reference) Losses on receivables	536	694	(22.7)

Delinquency Ratio (over 90 days) and Write-off Ratio (on a non-consolidated basis)

(%)



mately 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 FISCAL YEAR ENDING MARCH 2008

With the influence of the amendment to the Money Lending Business Control and Regulation Law making the credit card business environment increasingly challenging, and industry reorganization expected to accelerate, Credit Saison will focus on the "creation of customer services that receive support from customers," developing innovative services and expanding our customer base.

At a meeting held on March 28, 2007, the Board of Directors passed a regulation for lowering the interest rates for cash advances without waiting for the completion of the period of interim measures, and also lowered the interest rates irrespective of the new accounts' balance and the existing accounts' balance. It was a decision made from the viewpoint of placing the utmost priority on our customers' interest. Accordingly, we will change the loan interest rate, as the actual annual percentage rate, to 18.0% or lower, for 'SAISON cash advances' starting with the balance as of July 17, and for 'UC cash advances' (lump sum payment method) starting with the amount handled on June 11.

At a meeting held on May 17, 2007, pursuant to the master agreement dated January 30, 2007 by and between Credit Saison Co., Ltd., Mizuho Bank, Ltd. and UC Card Co., Ltd., the Board of Directors passed a resolution for entering into a business restructuring agreement for the purpose of pursuing "consolidation and reorganization" aimed at building a new business model, including the establishment of a joint processing company for both parties' credit card businesses. Pursuant to the agreement, the credit card processing businesses owned by the Company and UC Card Co., Ltd., respectively, will be separated from both companies' respective credit card businesses, and consolidated into one newly established joint processing company. After separating our processing business, we will focus on the expansion of scale mainly around the cardholders business.

Based on the activities described above, for the period ending in March 2008, Credit Saison will prepare a new Medium Term Management Plan and drive structural reform, continuously striving to expand its market share through strategic alliances and focusing on further expansion of its revenue base.

Under such circumstances, the Company forecasts the following consolidated results for the period ending March 2008: operating revenues of ¥340.0 billion; operating income of ¥56.4 billion, and net income of ¥26.0 billion.

Consolidated Balance Sheets

CREDIT SAISON CO., LTD. and Consolidated Subsidiaries
As of March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
ASSETS			
Current Assets:			
Cash and deposits	¥ 55,962	¥ 66,314	$ 473,889
Receivables:			
Notes and installment accounts receivable (Note 4)	1,673,437	1,487,473	14,170,855
Short-term loans	5,225	1,027	44,250
Less: Allowance for losses on receivables	(65,207)	(58,189)	(552,179)
	1,613,455	1,430,311	13,662,926
Securities	1,500	—	12,700
Inventories	147,956	122,268	1,252,913
Deferred income taxes (Note 10)	19,471	10,619	164,883
Prepaid expenses and other current assets	33,963	39,921	287,604
Total current assets	1,872,307	1,669,433	15,854,915
Property and Equipment, at Cost:			
Equipment for lease (Note 7)	286,304	260,441	2,424,456
Buildings and improvements	35,424	36,051	299,976
Fixtures and equipment	28,147	26,958	238,350
	349,875	323,450	2,962,782
Less: Accumulated depreciation	(155,455)	(131,760)	(1,316,409)
	194,420	191,690	1,646,373
Land	11,532	8,250	97,653
Total property and equipment	205,952	199,940	1,744,026
Investments and Other Assets:			
Investment securities (Note 8)	106,274	103,221	899,942
Long-term loans	29,341	29,909	248,457
Intangible assets	41,049	29,453	347,609
Lease deposits	8,431	8,760	71,396
Deferred income taxes (Note 10)	31,841	16,610	269,633
Other	10,161	13,427	86,045
Less: Allowance for losses on receivables	(5,367)	(7,759)	(45,448)
Less: Allowance for losses on investment securities	(382)	(382)	(3,232)
Total investments and other assets	221,348	193,239	1,874,402
Total assets	¥ 2,299,607	¥ 2,062,612	$ 19,473,343

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term loans (Note 6)	¥ 381,708	¥ 470,858	$ 3,232,356
Current portion of long-term debt (Note 6)	107,090	86,700	906,849
Commercial paper	101,300	113,000	857,820
Notes and accounts payable	237,262	180,222	2,009,161
Accrued taxes on income	36,361	7,097	307,906
Unearned income	5,126	4,244	43,408
Accrued employees' bonuses	2,160	2,256	18,290
Accrued directors' bonuses	160	—	1,355
Allowance for losses on business downsizing	—	352	—
Allowance for losses on interest repayments	11,247	2,305	95,237
Accrued expenses and other current liabilities	41,709	33,136	353,197
Total current liabilities	924,123	900,170	7,825,579
Long-term Liabilities:			
Long-term debt (Note 6)	888,209	739,822	7,521,459
Accrued pension and severance costs (Note 9)	6,493	7,404	54,982
Accrued retirement benefits to directors and statutory auditors	940	855	7,963
Allowance for losses on guarantees	2,543	1,741	21,534
Allowance for losses on warranty for defects	49	35	415
Allowance for losses on point program	36,205	29,023	306,588
Allowance for losses on interest repayments	34,657	—	293,479
Negative goodwill	108	194	914
Other	6,452	6,241	54,636
Total long-term liabilities	975,656	785,315	8,261,970
Commitments and Contingent Liabilities (Note 14)			
Net assets			
Shareholders' Equity (Note 15):			
Common stock	75,231	74,459	637,063
Additional paid-in capital	80,876	78,176	684,873
Retained earnings	204,130	194,180	1,728,594
Less: Treasury stock, at cost	(6,047)	(4,155)	(51,210)
Total shareholders' equity	354,190	342,660	2,999,320
Accumulated Gains (Losses) from Revaluation and Translation Adjustments			
Unrealized gains (losses) on other securities	19,152	18,057	162,182
Unrealized gains (losses) on hedging derivatives	(183)	(62)	(1,545)
Total accumulated gains (losses) from revaluation and translation adjustments	18,969	17,995	160,637
Minority Interests in Consolidated Subsidiaries	26,669	16,472	225,837
Total net assets	399,828	377,127	3,385,794
Total liabilities and net assets	¥ 2,299,607	¥ 2,062,612	$ 19,473,343

Consolidated Statements of Income

CREDIT SAISON CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2007	2006	2005	2007
Operating Revenues (Note 12):				
Financing and administration fees	¥ 274,231	¥ 214,450	¥ 183,618	$ 2,322,215
Income from the entertainment business	16,874	17,884	16,990	142,892
Income from the real estate business	19,870	18,361	12,632	168,260
Income from the lease business	6,763	7,143	6,803	57,273
Other income	6,190	4,838	8,083	52,420
Financial income	9,755	11,990	12,259	82,608
Total operating revenues	333,683	274,666	240,385	2,825,668
Operating Expenses:				
Selling, general and administrative expenses	242,149	193,126	172,024	2,050,548
Financial cost	16,333	11,965	9,771	138,307
Total operating expenses	258,482	205,091	181,795	2,188,855
Operating Income	75,201	69,575	58,590	636,813
Non-operating Revenues:				
Gain on sales of investment in subsidiaries and affiliates	3,057	8,380	—	25,890
Gain on changes in equity interest	708	6,396	2,371	5,991
Equity in earnings of equity method-affiliated companies	1,775	1,671	—	15,033
Equity in earnings of limited liability partnerships and other similar partnerships	3,000	—	—	25,408
Gain on reversal of allowance for losses on receivables	1,104	—	—	9,349
Other	4,009	3,497	5,027	33,947
Total non-operating revenues	13,653	19,944	7,398	115,618
Non-operating Expenses:				
Amortization of goodwill	—	24,857	—	—
Loss on evaluation of investment securities	631	3,419	4,783	5,346
Impairment loss of property and equipment, and other assets (Note 11)	2,369	80	1,156	20,063
Depreciation expenses of lease assets	5,447	—	—	46,130
Loss on changes in equity interest	2,720	—	—	23,031
Equity in losses of equity method-affiliated companies	—	—	1,840	—
Provision for losses on interest repayments	40,925	2,305	—	346,551
Provision for losses on receivables	—	3,037	—	—
Other	3,152	5,026	3,787	26,693
Total non-operating expenses	55,244	38,724	11,566	467,814
Non-operating Income (Loss)	(41,591)	(18,780)	(4,168)	(352,196)
Income (loss) before Income Taxes	33,610	50,795	54,422	284,617
Income Taxes (Note 10):				
Current	(41,688)	(16,375)	(23,238)	(353,025)
Deferred	27,418	9,419	1,413	232,182
Income (loss) before Minority Interests	19,340	43,839	32,597	163,774
Minority interest in income (loss) of consolidated subsidiaries	4,518	1,619	779	38,262
Net Income (Loss)	¥ 14,822	¥ 42,220	¥ 31,818	$ 125,512

	Yen			U.S. dollars (Note 2)
	2007	2006	2005	2007
Per Share Data				
Net assets	¥ 2,077.69	¥ 2,013.85	¥ 1,718.60	$ 17.594
Net income, basic	82.79	237.29	185.00	0.701
Net income, diluted	80.31	220.65	180.21	0.680
Dividends	¥ 28.00	¥ 26.00	¥ 20.00	$ 0.237

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

CREDIT SAISON CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2007, 2006 and 2005

	Millions of yen							
	Number of shares of common stock issued (thousands)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Unrealized gains (losses) on other securities	Unrealized gains (losses) on hedging derivatives	Minority interests
Balance at March 31, 2004	171,725	¥63,668	¥67,134	¥126,719	¥ (3,954)	¥ 4,686	—	¥ 431
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)				
Net (increase) decrease in treasury stock *					225			
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	(480)	3,493
Balance at March 31, 2005	176,619	¥69,526	¥73,148	¥155,101	¥ (3,729)	¥ 7,264	¥ (480)	¥ 3,924
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 with equity method-affiliated company				221				
Net (increase) decrease in treasury stock *					(426)			
Gain on sale of treasury stock			99					
Execution of stock option	4,098	4,933	4,929					
Accumulated changes in fair value						10,793	418	12,548
Balance at March 31, 2006	180,717	¥74,459	¥78,176	¥194,180	¥ (4,155)	¥18,057	¥ (62)	¥ 16,472
Net income for the year ended March 31, 2007				14,822				
Cash dividends				(4,656)				
Directors and statutory auditors' bonuses				(216)				
Net (increase) decrease in treasury stock *					(1,892)			
Gain on sale of treasury stock			1,928					
Execution of stock option	596	772	772					
Accumulated changes in fair value						1,095	(121)	10,197
Balance at March 31, 2007	181,313	¥75,231	¥80,876	¥204,130	¥ (6,047)	¥19,152	¥ (183)	¥ 26,669

	Thousands of U.S. dollars (Note 2)							
	Number of shares of common stock issued (thousands)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Unrealized gains (losses) on other securities	Unrealized gains (losses) on hedging derivatives	Minority interests
Balance at March 31, 2006	180,717	$ 630,524	$ 662,009	$1,644,338	$ (35,188)	$ 152,913	$ (527)	$ 139,485
Net income for the year ended March 31, 2007				125,512				
Cash dividends				(39,422)				
Directors and statutory auditors' bonuses				(1,834)				
Net (increase) decrease in treasury stock *					(16,022)			
Gain on sale of treasury stock			16,327					
Execution of stock option	596	6,539	6,537					
Accumulated changes in fair value						9,269	(1,018)	86,352
Balance at March 31, 2007	181,313	$ 637,063	$ 684,873	$1,728,594	$ (51,210)	$ 162,182	$ (1,545)	$ 225,837

The accompanying notes are an integral part of these statements.

*Net (increase) decrease in treasury stock is the difference between the book value of purchased treasury stock and sales of treasury stock.

Consolidated Statements of Cash Flows

CREDIT SAISON CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2007	2006	2005	2007
Cash Flows from Operating Activities:				
Income (loss) before income taxes	¥ 33,610	¥ 50,795	¥ 54,422	$ 284,617
Adjustments to reconcile income (loss) before income taxes to net cash provided by (used in) operating activities:				
Depreciation and amortization	65,130	76,603	43,272	551,530
Allowance for losses on receivable	9,825	6,962	7,723	83,199
Accrued pension and severance costs	(911)	(173)	(277)	(7,714)
Allowance for losses on point program	7,182	6,630	—	60,818
Allowance for losses on interest repaymants	38,399	2,305	—	325,166
Allowance for other reserves	612	1,671	503	5,186
Interest and dividends receivable	(9,878)	(12,416)	(10,778)	(83,646)
Interest expenses	17,101	12,200	10,448	144,805
Equity in (earnings) losses of equity method-affiliated companies	(1,775)	(1,671)	1,840	(15,033)
Equity in (earnings) of limited liability partnerships and other similar partnerships	(3,000)	—	—	(25,408)
Foreign currency exchange (gain) loss	(61)	152	(135)	(513)
Realized (gain) loss on investment securities	(3,873)	(8,946)	(725)	(32,795)
Loss on evaluation of investment securities	576	3,419	4,783	4,876
Net (gain) loss on changes in equity interest	2,012	(6,395)	(2,371)	17,040
Impairment loss of property and equipment, and other assets	2,369	80	1,156	20,063
Loss on disposal of property and equipment, and other assets	14,420	18,971	17,513	122,114
Changes in operating assets and liabilities:				
(Increase) decrease in trade receivables	(272,686)	(187,686)	(146,655)	(2,309,142)
Proceeds from liquidation of trade receivables	90,000	—	30,000	762,131
(Increase) decrease in inventories	(25,658)	(35,915)	(16,397)	(217,273)
(Increase) decrease in other assets	(5,844)	(12,595)	(762)	(49,491)
Increase (decrease) in payables	57,048	7,249	8,323	483,087
Increase (decrease) in other liabilities	5,593	1,192	7,414	47,361
Directors and statutory auditors' bonuses	(250)	(184)	(174)	(2,118)
Subtotal	19,941	(77,752)	9,123	168,860
Interest and dividends received	9,861	12,678	10,545	83,504
Interest paid	(15,968)	(11,684)	(10,091)	(135,217)
Income taxes refunded	11,026	—	—	93,370
Income taxes paid	(12,870)	(22,585)	(34,291)	(108,983)
Net Cash Provided by (Used in) Operating Activities	11,990	(99,343)	(24,714)	101,534
Cash Flows from Investing Activities:				
Payments for purchases of investment securities	(13,261)	(49,463)	(29,504)	(112,298)
Proceeds from sales or redemption of investment securities (Note 3(w))	24,462	22,020	4,912	207,142
Payments for purchases of property and equipment, and other assets	(96,204)	(92,803)	(91,698)	(814,667)
Proceeds from sales of property and equipment,and other assets	386	517	1,467	3,267
Payments for short-term and long-term loans	(4,190)	(2,490)	(4,701)	(35,481)
Proceeds from short-term and long-term loans	5,561	1,496	7,757	47,092
Proceeds from merger with equity method-affiliated company	—	2,398	—	—
(Increase) decrease in other assets	446	(481)	(1,881)	3,780
Net Cash Provided by (Used in) Investing Activities	(82,800)	(118,806)	(113,648)	(701,165)
Cash Flows from Financing Activities:				
Increase (decrease) in short-term debts	(89,152)	(81,091)	12,402	(754,950)
Increase (decrease) in commercial paper	(11,700)	56,000	(14,000)	(99,077)
Proceeds from long-term debts	196,600	236,003	117,020	1,664,832
Repayments of long-term debts	(58,368)	(74,441)	(23,817)	(494,266)
Proceeds from issuance of bonds	58,611	79,523	43,968	496,326
Repayment of bonds	(16,455)	(32,493)	(20,462)	(139,343)
Proceeds from payables under securitized lease receivables	—	30,000	—	—
Repayment of payables under securitized lease receivables	(12,000)	(3,000)	(3,127)	(101,617)
Proceeds from issuance of new stock	1,544	9,862	4,931	13,075
Proceeds from minority shareholders	2,580	12,811	5,003	21,846
Proceeds from sales of treasury stock	19,189	308	428	162,498
Purchases of treasury stock	(19,198)	(20)	(22)	(162,573)
Cash dividends paid	(4,655)	(3,498)	(3,058)	(39,422)
Cash dividends paid to minorities	(161)	(88)	(5)	(1,364)
Net Cash Provided by (Used in) Financing Activities	66,835	229,876	119,261	565,965
Translation Gain (Loss) on Cash and Cash Equivalents	58	24	(12)	493
Increase (Decrease) in Cash and Cash Equivalents	(3,917)	11,751	(19,113)	(33,173)
Cash and Cash Equivalents at the Beginning of Year	66,314	54,308	73,421	561,558
Increase in Cash and Cash Equivalents Resulting from Addition of Subsidiaries to the Scope of Consolidation	—	255	—	—
Cash and Cash Equivalents at the End of Year	¥ 62,397	¥ 66,314	¥ 54,308	$ 528,385

The accompanying notes are an integral part of these statements.

Note 1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared based on the accounts maintained by CREDIT SAISON CO., LTD. (the "Company") and its consolidated subsidiaries (together the "Companies") in accordance with the provisions set forth in Japanese Corporate Law and the Securities and Exchange Law. They also conform to the Financial Statement Regulations promulgated by the Ministry of Finance, as well as to accounting principles and practices generally accepted in Japan, which differ from international financial reporting 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.

Note 2 U.S. DOLLAR AMOUNTS

Japanese yen amounts have been translated into U.S. dollars at the rate of ¥118.09=US$1, the approximate exchange rate on March 31, 2007, 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.

Note 3 SIGNIFICANT ACCOUNTING POLICIES

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

As at March 31, 2007, the consolidated financial statements include the accounts of the Company and its nine (eleven for 2006) material subsidiaries.

At March 31, 2007, Saison Direct Marketing Co., Ltd., previously consolidated, was excluded from the scope of consolidation due to the liquidation of this company.

Vivre Co., Ltd. previously consolidated, has been excluded from the scope of consolidation as it has been merged with a consolidated subsidiary, Noa Planning Co., Ltd. (renamed Vivre Co., Ltd. effective from March 1, 2007). Due to this, the consolidated fiscal period includes only 11 months (April 1, 2006–February 28, 2007) of Vivre, Co., Ltd.

Also, A&A Co., Ltd. changed its book-closing date to February 28 starting from the current fiscal year. Due to this, the consolidated fiscal period of A&A Co., Ltd. was only 11 months (April 1, 2006–February 28, 2007).

Furthermore, A.I.C. LLC. changed its name to A.I.C. Co., Ltd. effective from February 14, 2007, in accordance with the accounting standards specified in the Corporate Law.

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 nine (six for 2006) material affiliates are accounted for by the equity method. Effective from the year ended March 31,2007, Shizugin Saison Card Co., Ltd., Daiwa House Financial Co., Ltd. and Takashimaya Credit Co., Ltd have been included in these affiliates due to acquisition of equity.

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, which is amortized on a straight-line basis over an effective period extending to within 20 years. However, if the amount is not material, it is charged to income when incurred.

(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 profits 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 equivalents based on the recently available financial statements of the partnership corresponding to the reporting dates of the financial statements defined by the partnership agreements.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates, or 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.

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 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. Additionally, estimated losses caused by disposal of lease assets due to cancellation, etc., of lease contracts are presented as depreciation and amortization.

In the case of losses caused by the disposal of a lease property when lease charges remained unpaid by the customer over the term, losses were previously treated by the Company as an expense when the loss was incurred.

However, given the trend for increase of losses caused by disposal of such equipment for lease, effective from the year ended March 31, 2007, in order to indicate the actual state of transactions more accurately, the Company recorded as a depreciation expenses an estimated loss amount for future disposal of leased properties, based on results from the disposals of such equipment for lease.

Because of this change, the Company recorded as non-operating expenses, additional depreciation expenses for lease assets of ¥5,477 million (US$46,129 thousand) estimated at the beginning of the year ended March 31, 2007, in accordance with the new estimation method.

As a result, compared with the previous method, operating revenues, operating income, each decreased by ¥193 million (US$1,632 thousand), and income before income taxes decreased by ¥5,640 million (US$47,761 thousand).

(e) Leased properties

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

(f) Intangible assets

Depreciation of intangible assets 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. Additionally, estimated losses caused by disposal of lease assets due to cancellation, etc., of lease contract are presented as depreciation and amortization.

(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 directors' bonuses

Allowance for directors' bonuses is maintained at the amount accrued at the end of fiscal year, based on the estimated future payments and service period.

(j) 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.

(k) Allowance for losses on interest repayments

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 for the year ended March 31, 2006.

Following the statement from the Japanese Institute of Certified Public Accountants (JICPA) regarding "auditing of allowance for losses on interest repayments to consumer finance companies" (Report No. 37 dated October 13, 2006, issued by the Special Committee by Category of Business of the Japanese Institute of Certified Public Accountants), effective from the year ended March 31, 2007, the Company has changed its method of estimating allowance for losses on interest repayments.

Because of this change, the Company recorded, as non-operating expenses, provision for losses on interest repayments of the ¥40,925 million (US$346,551 thousand) the difference between the allowance booked at the beginning of the year ended March 31, 2007 and the allowance of ¥7,505 million (US$63,550 thousand), including the allowance for losses on receivables of ¥5,200 million (US$44,031 thousand) transferred at the beginning of the year, estimated by the previous method.

As a result, compared with the amounts estimated under the previous method, operating income increased by ¥5,334 million (US$45,165 thousand) and income before income taxes decreased by ¥35,591 million (US$301,385 thousand).

(l) Allowance for losses on investment securities

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

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

(n) 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 allowance in an amount equal to the total benefits calculated based on the unfunded retirement plan for the directors and statutory auditors.

(o) Allowance for losses on guarantees

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

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

(p) Allowance for losses on warranty for defects

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

(q) Allowance for losses on point program

To stimulate card usage, the Company provides cardholders with credit card points, 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 for the year ended March 31, 2006.

The 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.

(r) 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.

(s) Accounting Standard for Directors' Bonus

Effective from the year ended March 31, 2007, the Company has adopted "Accounting Standard for Directors' Bonus" (Accounting Standards Board of Japan Statement No. 4 issued on November 29, 2005).

As a result, compared with the amounts calculated under the standards used in the previous fiscal year, operating income and income before income taxes for the year ended March 31, 2007 decreased by ¥258 million (US$2,187 thousand), respectively. Of this amount, ¥160 million (US$1,355 thousand) was presented as accrued directors' bonuses and ¥98 million (US$832 thousand) was included in accrued expenses and other current liabilities.

(t) Accounting standard for presentation of net assets in the balance sheet

Effective from the year ended March 31, 2007, the Company has applied "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No. 5), and "Implementaion Guidance for Accounting Standards for Presentation of Net Assets in the Balance Sheet (Accounting Standards of Japan Guidance No. 8)" both issued by the Accounting Standards Board of Japan on December 9, 2005.

"Net assets" in the balance sheets for the year ended March 31, 2007 is presented according to the revision of "Regulations Concerning the Terminology, Form and Presentation Methods of Consolidated Financial Statements" dated April 25, 2006. Furthermore, the Company presented its net assets in the balance sheets using the new presentation as of March 31, 2006.

The consolidated statements of changes in net assets for the year ended March 31, 2005 and 2006 are presented under the new standard.

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

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate material change in the carrying amount of an asset.

(v) Purchased receivables with pledged real estate

Formerly, receivables purchased with pledged real estate were included in installment account 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.

(w) Supplementary cash flow information

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

The balance of cash and cash equivalents as of March 31, 2007, 2006 and 2005 is reconciled with the respective consolidated balance sheets as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Consolidated balance sheet:				
Cash and deposits	¥ 55,962	¥ 66,314	¥ 54,308	$ 473,889
Securities	1,500	—	—	12,700
Short-term loans	5,000	—	—	42,344
Segregated trustee deposits	(65)	—	—	(548)
Cash and cash equivalents at end of year	¥ 62,397	¥ 66,314	¥ 54,308	$ 528,385

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Non-cash financing activities are as follows:				
Conversion of convertible bonds				
Common stock increased due to conversion of convertible bonds	—	—	¥ 3,393	—
Additional paid-in capital increased due to conversion of convertible bonds	—	—	3,389	—
Convertible bonds decreased due to conversion	—	—	¥ 6,782	—
Acquisition of investment securities by stock for stock and contribution in kind	¥ 11,513	—	¥ 10,231	$ 97,493

As of January 1, 2006, the Company merged with UC CARD CO., LTD. (card issuance business). The assets and liabilities acquired through this merger were summarized as follows:

As of January 1, 2006	Millions of yen
Current assets	¥ 279,711
Non-current assets	25,000
Total assets	¥ 304,711
Current liabilities	238,637
Non-current liabilities	12,224
Total liabilities	¥ 250,861

(x) Description of proceeds from sales or redemption of investment securities

	Millions of yen	Thousands of U.S. dollars
	2007	2007
Proceeds from sales of investment securities	¥ 10,248	$ 86,786
Proceeds from redemption of investment securities	6,655	56,358
Proceeds from distribution of limited liability partnerships and other similar partnerships or return of capital	7,558	63,998
Total proceeds from sales or redemption of investment securities	¥ 24,461	$ 207,142

(y) Reclassification

Certain reclassifications of previously reported figures have been restated to conform with current classifications.

Note 4 NOTES AND INSTALLMENT ACCOUNTS RECEIVABLE

As of March 31, 2007 and 2006, liquidated revolving receivables and single-payment card shopping receivables were as follows, and the following amounts of trust beneficiary rights and other receivable generated from liquidation or operational transactions were included in notes and installment accounts receivable.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Liquidated receivables:			
Revolving card shopping	¥ 10,100	¥ 40,401	$ 85,529
Single-payment card shopping, etc.	90,000	—	762,131
Revolving card cashing	28,750	28,750	243,461
Trust beneficiary rights and other receivables include:			
Revolving card shopping	36,841	11,120	311,972
Single-payment card shopping, etc.	161,515	144,687	1,367,730
Revolving card cashing	14,730	17,049	124,740
Acquisition from operational transactions	867	—	7,338

Note 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
	2007	2006	2005	2007
Total loan limits	¥ 8,622,256	¥ 7,948,562	¥ 5,835,727	$ 73,014,274
Loan executions	652,817	614,051	467,085	5,528,126
	¥ 7,969,439	¥ 7,334,511	¥ 5,368,642	$ 67,486,148

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.

Note 6 SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans are represented principally by 30 to 365 day notes to banks and other financial institutions, with an average interest rate of 1.07% as of March 31, 2007.

Commercial paper is issued by the Companies, with an average interest rate of 0.60% as of March 31, 2007.

Long-term debt as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Average 1.47% mortgage or secured loans from banks, insurance companies and other financial institutions, due in installments through 2016	¥ 672,356	¥ 534,124	$ 5,693,594
0.42% to 2.41% bonds, due in installments through 2016	274,943	232,398	2,328,245
Average 0.78% on payables under securitized lease receivables*	48,000	60,000	406,470
Subtotal	995,299	826,522	8,428,309
Less: Current portion	(107,090)	(86,700)	(906,849)
	¥ 888,209	¥ 739,822	$ 7,521,460

*Payables under securitized lease receivables result from liquidation.

The aggregate annual maturities of long-term debt subsequent to March 31, 2007 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥ 107,090	$ 906,849
2009	89,586	758,626
2010	122,096	1,033,925
2011	98,551	834,542
2012 and thereafter	577,976	4,894,367

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

Note 7 LEASE TRANSACTIONS

(a) Finance lease (lessee)

Finance leases as of March 31, 2007 and 2006 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
	2007	2006	2007
Building:			
Acquisition cost	¥ 1,217	¥ 1,391	$ 10,306
Accumulated depreciation	(697)	(724)	(5,901)
Net book value	520	667	4,405
Software:			
Acquisition cost	—	1	—
Accumulated depreciation	—	(1)	—
Net book value	—	0	—
Other (fixtures and equipment)			
Acquisition cost	3,068	3,576	25,980
Accumulated depreciation	(1,345)	(1,591)	(11,389)
Net book value	1,723	1,985	14,591
Total:			
Acquisition cost	4,285	4,968	36,286
Accumulated depreciation	(2,042)	(2,316)	(17,291)
Net book value	¥ 2,243	¥ 2,652	$ 18,995

ii. Minimum future lease payments

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥ 780	¥ 934	$ 6,603
Due after one year	1,560	1,853	13,210
Total	¥ 2,340	¥ 2,787	$ 19,813

The impairment loss account for leased assets amounted to ¥10 million (US$92 thousand) and ¥10 million as of March 31, 2007 and 2006, respectively.

iii. Lease payments, depreciation equivalent and interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Lease payments	¥ 1,000	¥ 1,052	$ 8,470
Reversal of impairment loss account for leased assets	4	27	36
Depreciation equivalent	916	964	7,760
Interest equivalent	78	102	660
Impairment loss	10	—	82

Depreciation equivalent is computed by the straight-line method under 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, 2007 and 2006 and for the years then ended is summarized as follows:

i. Acquisition cost and accumulated depreciation

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Equipment:			
Acquisition cost	¥ 286,304	¥ 260,441	$ 2,424,456
Accumulated depreciation	(123,197)	(101,860)	(1,043,244)
Net book value	163,107	158,581	1,381,212
Software:			
Acquisition cost	23,401	14,708	198,158
Accumulated depreciation	(7,030)	(3,257)	(59,531)
Net book value	16,371	11,451	138,627
Total:			
Acquisition cost	309,705	275,149	2,622,614
Accumulated depreciation	(130,227)	(105,117)	(1,102,775)
Net book value	¥ 179,478	¥ 170,032	$ 1,519,839

ii. Minimum future lease revenue

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥ 46,245	¥ 40,397	$ 391,609
Due after one year	147,698	137,003	1,250,727
Total	¥ 193,943	¥ 177,400	$ 1,642,336

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
	2007	2006	2007
Lease revenue	¥ 53,624	¥ 46,935	$ 454,095
Depreciation	53,269	40,265	451,086
Interest equivalent	10,203	9,529	$ 86,401

Interest equivalent, which is aggregate lease revenues less acquisition cost, is allocated over the lease term based on the interest method.
The above amount of depreciation includes ¥5,447 million (US$46,130) in additional depreciation expenses of lease assets recorded as non-operating expenses.

(c) Operating leases (lessee)

Minimum future lease payments as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥ 686	¥ 153	$ 5,807
Due after one year	2,752	85	23,306
Total	¥ 3,438	¥ 238	$ 29,113

Note 8 OTHER SECURITIES

As of March 31, 2007 and 2006, acquisition costs and amounts on the consolidated balance sheets of other securities that have market value are summarized below:

	Millions of yen						Thousands of U.S. dollars		
	2007			2006			2007		
	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	¥ 21,337	¥ 54,896	¥ 33,559	¥ 12,433	¥ 40,476	¥ 28,043	$ 180,687	$ 464,862	$ 284,175
Bonds									
Government	1,500	1,500	0	—	—	—	12,700	12,700	0
Corporate	100	103	3	16	17	1	847	872	25
Other	209	218	9	171	198	27	1,773	1,850	77
Subtotal	23,146	56,717	33,571	12,620	40,691	28,071	196,007	480,284	284,277
Balance sheet amount not exceeding acquisition cost:									
Equity shares	5,158	3,920	(1,238)	778	520	(258)	43,680	33,196	(10,484)
Bonds									
Corporate	200	194	(6)	903	843	(60)	1,694	1,646	(48)
Other	85	83	(2)	384	369	(15)	717	700	(17)
Subtotal	5,443	4,197	(1,246)	2,065	1,732	(333)	46,091	35,542	(10,549)
TOTAL	¥ 28,589	¥ 60,914	¥ 32,325	¥ 14,685	¥ 42,423	¥ 27,738	$ 242,098	$ 515,826	$ 273,728

Note 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, 2007 and 2006 are calculated below:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Retirement benefit obligations	¥ (10,600)	¥ (10,514)	$ (89,761)
Plan assets	4,802	4,335	40,663
Funded status	(5,798)	(6,179)	(49,098)
Unrecognized actuarial differences	3,486	3,692	29,520
Unrecognized prior service obligations	(4,181)	(4,917)	(35,404)
Accrued pension and severance costs	(6,493)	(7,404)	(54,982)

(b) Retirement benefit expenses

Retirement benefit expenses for the years ended March 31, 2007, 2006 and 2005 are stated below:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Service costs	¥ 491	¥ 458	¥ 681	$ 4,156
Interest costs	207	200	264	1,754
Expected return on plan assets	(153)	(59)	(67)	(1,292)
Actuarial difference recognized as expense	616	633	652	5,215
Prior service obligations recognized as expenses	(596)	(606)	(479)	(5,044)
Other *	254	191	86	2,150
Retirement benefit expenses	¥ 819	¥ 817	¥ 1,137	$ 6,939
Gains on revision of pension plans	—	—	(283)	—
Total	¥ 819	¥ 817	¥ 854	$ 6,939

*Other represents payments to defined contribution pension fund, etc.

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

	2007	2006	2005
Discount rate	2.0%	2.0%	2.0%
Expected return on plan assets	3.5%	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

Note 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, 2007, 2006 and 2005 for the following reasons:

	2007	2006	2005
Statutory tax rate	40.70%	40.70%	40.70%
Reconciliation:			
Expenses not deductible for tax purposes	0.76	0.27	0.22
Non-taxable dividend income	(0.16)	(34.88)	(0.09)
Inhabitants taxes per capita	0.56	0.37	0.30
Amortization of goodwill	(0.08)	(0.20)	(0.15)
Equity in net earnings (losses) of affiliated companies	(2.15)	(1.34)	1.38
Increase (decrease) of evaluation allowance	(3.28)	13.59	0.55
Reduction of deferred tax assets resulting from tax rate revision	—	—	0.29
Net gains on changes in equity interest	2.44	(5.12)	(1.77)
Income tax credit	(0.15)	(1.19)	(1.31)
Income tax paid for the past fiscal year, etc.	2.60	—	—
Other	1.22	1.50	(0.02)
Effective tax rate	42.46%	13.70%	40.10%

(b) Deferred income taxes

Deferred income taxes as of March 31, 2007 and 2006 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Inventories	¥ 2,660	¥ 1,255	$ 22,521
Amortization of goodwill	4,997	6,662	42,313
Accumulated impairment losses of property and equipment, and other assets	3,033	2,046	25,682
Accumulated depreciation expense of property and equipment, and other assets	2,377	—	20,130
Investment securities	4,946	4,831	41,887
Allowance for losses on receivables	8,093	7,707	68,536
Allowance for losses on interest repayments	18,683	938	158,207
Accrued expenses	358	296	3,035
Accrued enterprise taxes	2,640	628	22,354
Accrued pension and severance costs	2,643	2,923	22,382
Allowance for losses on point program	14,735	11,813	124,781
Other allowance	2,303	1,973	19,506
Accumulated deficit carryforwards	414	413	3,502
Unrealized losses on hedging derivatives	19	—	159
Unrealized losses on other securities	101	3	857
Other	3,556	3,596	30,111
Subtotal	71,558	45,084	605,963
Less evaluation allowance	(6,369)	(7,283)	(53,932)
Total deferred tax assets	65,189	37,801	552,031
Deferred tax liabilities:			
Accrued refundable enterprise taxes	—	(101)	—
Capital gains deferred for tax purposes	(212)	(212)	(1,793)
Unrealized gains on other securities	(13,663)	(10,265)	(115,705)
Other	(2)	(47)	(17)
Total deferred tax liabilities	(13,877)	(10,625)	(117,515)
Net deferred tax assets	¥ 51,312	¥ 27,176	$ 434,516

Net deferred tax assets are presented on the consolidated balance sheets as of March 31, 2007 and 2006 as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Current assets	¥ 19,471	¥ 10,619	$ 164,883
Investment and other assets	31,841	16,610	269,633
Current liabilities—other	—	(35)	—
Long-term liabilities—other	—	(17)	—

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

For the year ended March 31, 2007, the Companies wrote down the book value of amusement facilities and operating facilities from which operating income had deteriorated and was not expected to recover in the short term.

The Companies also wrote down the book value of office assets according to a transferring plan of a subsidiary company.

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

March 31, 2007

Asset	Description	Location
Certain amusement facilities	Buildings, Other (Fixtures, furniture, other), Lease deposits	Kanto region
Operating facilities	Buildings, Other (Fixtures, furniture, other), Software	Tokyo
Official assets	Buildings, Land, Other (Fixtures, furniture, other)	Tokyo, Osaka

For the year ended March 31, 2006, the Companies recorded impairment losses amounting to ¥80 million. 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, Other (Fixtures, furniture, other), Software	Tokyo
Operating facilities	Buildings, Other (Fixtures, furniture, other)	Tokyo

Accumulated impairment losses were subtracted directly from individual assets. Impaiment loss on property and equipment, and other assets recognized for the years ended March 31, 2007, 2006 and 2005 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Property and equipment:				
Buildings and improvements	¥ 1,635	¥ 20	¥ 551	$ 13,849
Land	14	—	—	117
Other (Fixtures and equipment, other assets)	623	39	515	5,283
Investment and other assets:				
Intangible assets	1	21	53	6
Lease deposits	86	—	—	726
Other	—	—	—	—
Current liabilities				
Other	10	—	37	82
Total	¥ 2,369	¥ 80	¥ 1,156	$ 20,063

Regarding operating facilities and official assets, the recoverable amount is measured as 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 as 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 is grouped by site.

Note 12 OPERATING REVENUES

Operating revenues for the years ended March 31, 2007, 2006 and 2005 comprised the following revenues and expenses:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Financing and administration fees	¥ 274,231	¥ 214,450	¥ 183,618	$ 2,322,215
Entertainment business (Note 2):				
Sales	126,070	143,548	108,546	1,067,577
Cost of sales	109,196	125,664	91,556	924,685
Income from entertainment sales	16,874	17,884	16,990	142,892
Real estate business (Note 1):				
Sales	94,517	70,132	58,400	800,382
Costs of sales	74,647	51,771	45,768	632,122
Income from real estate business	19,870	18,361	12,632	168,260
Lease business:				
Sales	68,831	65,623	57,535	582,869
Cost of sales	62,068	58,480	50,732	525,596
Lease income	6,763	7,143	6,803	57,273
Other business:				
Sales	6,533	6,888	13,432	55,321
Cost of sales	343	2,050	5,349	2,901
Other income	6,190	4,838	8,083	52,420
Financial income	9,755	11,990	12,259	82,608
Total operating revenues	¥ 333,683	¥ 274,666	¥ 240,385	$ 2,825,668

Notes: 1. As described in Note 3 (v), 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 year ended March 31, 2005 are reclassified to conform with the current accounting policy.

2. Effective from the year ended March 31, 2006, as a consolidated subsidiary, the operating amusement section of the Entertainment business carried out special prize exchange operations in the specific areas to the outside agents. The cost of these prizes, 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 for the year ended March 31, 2006, but it had no effect on the income from the Entertainment business.

Note 13 DERIVATIVES

Contractual values or notional principal amounts and unrealized profits (losses) on derivative transactions as of March 31, 2007 and 2006 are summarized below:

(a) Interest rate transactions

	Millions of yen					
	2007			2006		
	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	¥ 12,471	¥ 250	¥ (125)	¥ 19,119	¥ 12,471	¥ (455)
Total	¥ 12,471	¥ 250	¥ (125)	¥ 19,119	¥ 12,471	¥ (455)

	Thousands of U.S. dollars		
	2007		
	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	$ 105,606	$ 2,117	$ (1,057)
Total	$ 105,606	$ 2,117	$ (1,057)

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					
	2007			2006		
	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)
Total	—	—	—	¥ 534	—	¥ (6)

	Thousands of U.S. dollars		
	2007		
	Contractual value or notional principal amount		Unrealized profit (loss)
	Total	Over 1 year	
Currency swaps:			
Yen received/U.S. dollars paid	—	—	—
Total	—	—	—

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.

Note 14 COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2007, the Companies were contingently liable as credit guarantors for customers borrowing from the alliance banks, LAWSON CS Card Inc., and other affiliates to a total of ¥139,972 million (US$1,185,302 thousand), ¥11,955 million (US$101,236 thousand) and ¥252 million (US$2,131 thousand), respectively.

Note 15 SHAREHOLDERS' EQUITY

(a) Common stock

The Company has 300,000,000 authorized shares, of which 181,312,925 shares were issued as of March 31, 2007.

(1) Type and number of shares issued and treasury stock

(Thousands of shares)

	Issued shares (Common stock)	Treasury stock (Common stock)
Balance at March 31, 2005	176,619	1,675
Number of shares increase	4,098 *1	89 *2
Number of shares decrease	—	31 *3
Balance at March 31, 2006	180,717	1,733
Number of shares increase	596 *4	4,690 *5
Number of shares decrease	—	4,712 *6
Balance at March 31, 2007	181,313	1,710

Notes: 1. Increase in issued shares
Number of subscription rights issued: 4,098 thousand shares
2. Increase in treasury stock
Acquisition in the market by affiliate companies: 79 thousand shares
Acquisition from consolidated subsidiaries: 6 thousand shares
Acquisition of fractional shares: 4 thousand shares
3. Decrease in treasury stock
Sales by consolidated subsidiaries: 31 thousand shares
Sales of fractional shares: less than a thousand shares
4. Increase in number of issued shares
Number of subscription rights issued: 596 thousand shares
5. Increase in treasury stock
Acquisition by ToSTNeT-2: 4,684 thousand shares
Acquisition from consolidated subsidiaries: 4 thousand shares
Acquisition of fractional shares: 2 thousand shares
6. Details of decrease:
Sales from third-party allotment: 4,684 thousand shares
Sales by consolidated subsidiaries and equity-method affiliates: 28 thousand shares
Sales of fractional shares: less than a thousand shares

(b) Stock option plans

(1) The Company has the following option plans for directors, statutory auditors, officers, employees and corporate counselors of the Companies as of March 31, 2007. The option plans have been approved by the General Shareholders' Meetings.

Date of approval	Number of subscription rights unexercised	Type and number of targeted shares	Subscription price	Effective period	Issue price	Per share addition to common stock
June 25, 2005	16,868	Common stock 1,686,800 shares	¥3,740 per share	June 30, 2007 to June 29, 2010	¥3,740	¥1,870
June 27, 2003	5,791	Common stock 579,100 shares	¥2,095 per share	June 30, 2005 to June 29, 2008	¥2,095	¥1,048
June 27, 2002	4,273	Common stock 427,300 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, subscriptions right may be exercised within two years after that. In the event a granted person retires voluntarily or dies, subscriptions right will be canceled.
2. Transfer of stock option
Transfer of stock option to the third person needs the approval of the Board of Directors' Meeting.

(2) Stock option for certain subsidiaries

Date of approval	Number of subscription rights unexercised	Type and number of targeted shares	Subscription price	Effective period	Issue price
December 16, 2006	4,896	Common stock 489,600 shares	¥162 per share	December 17, 2005 to December 16, 2008	¥162
September 13, 2004	7,092	Common stock 709,200 shares	¥259 per share	September 14, 2006 to September 13, 2009	¥259

(c) Dividend

(1) Dividend payment

Resolution	Type of share	Total amount (¥ million)	Thousands of U.S. dollars	Dividend per share (¥)	Thousands of U.S. dollars	Record date	Effective date
General Meeting of Shareholders on June 24, 2006	Common stock	4,656	39,422	26.00	0.220	March 31, 2006	June 24, 2006

(2) For dividend payments with an effective date in the year ended March 31, 2008, the record date occurred in the year ended March 31, 2007.

Resolution	Type of share	Source of payment	Total amount (¥ million)	Thousands of U.S. dollars	Dividend per share (¥)	Thousands of U.S. dollars	Record date	Effective date
General Meeting of Shareholders on June 23, 2007	Common stock	Retained earnings	5,030	42,595	28.00	0.237	March 31, 2007	June 23, 2007

Note 16 SEGMENT INFORMATION

(a) Business segments

Segment information by business segment for the years ended March 31, 2007, 2006 and 2005 was as follows:

	Millions of yen								
	Operating revenues								
Year ended March 31, 2007	Outside customers	Inter-segment	Total	Operating expenses	Operating income	Assets	Depreciation	Loss on impairment	Capital expenditures
Credit & Finance	¥283,986	¥ 206	¥284,192	¥222,707	¥61,485	¥1,738,434	¥ 7,989	¥ —	¥ 14,148
Entertainment	16,874	46	16,920	14,875	2,045	27,359	2,978	2,277	4,593
Real estate	19,870	705	20,575	11,076	9,499	188,997	326	92	5,272
Lease	6,763	32	6,795	4,624	2,171	185,807	53,438	—	75,119
Other	6,190	389	6,579	1,154	5,425	3,458	48	—	43
Total	333,683	1,378	335,061	254,436	80,625	2,144,055	64,779	2,369	99,175
Eliminations or corporate	—	(1,378)	(1,378)	4,046	(5,424)	155,552	123	—	877
Consolidated	¥333,683	¥ —	¥333,683	¥258,482	¥75,201	¥2,299,607	¥64,902	¥ 2,369	¥100,052

	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	¥1,548,240	¥ 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	165,407	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	1,929,602	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	¥2,062,612	¥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	¥1,094,545	¥ 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	108,878	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	1,399,512	42,319	1,156	94,788
Eliminations or corporate	—	(1,449)	(1,449)	2,096	(3,545)	112,957	121	—	92
Consolidated	¥240,385	—	¥240,385	¥181,795	¥58,590	¥1,512,469	¥42,440	¥ 1,156	¥ 94,880

Year ended March 31, 2007	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	$2,404,823	$ 1,751	$2,406,574	$1,885,913	$520,661	$14,721,264	$ 67,649	$ —	$119,808
Entertainment	142,892	391	143,283	125,961	17,322	231,676	25,214	19,283	38,896
Real estate	168,260	5,968	174,228	93,794	80,434	1,600,447	2,758	780	44,643
Lease	57,273	268	57,541	39,155	18,386	1,573,434	452,526	—	636,116
Other	52,420	3,294	55,714	9,772	45,942	29,286	410	—	362
Total	2,825,668	11,672	2,837,340	2,154,595	682,745	18,156,107	548,557	20,063	839,825
Eliminations or corporate	—	(11,672)	(11,672)	34,260	(45,932)	1,317,236	1,041	—	7,428
Consolidated	$2,825,668	$ —	$2,825,668	$2,188,855	$636,813	$19,473,343	$549,598	$20,063	$847,253

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

	Millions of yen: 2007	2006	2005	Thousands of U.S. dollars: 2007
Non-allocable operating expenses	¥ 5,153	¥ 4,030	¥ 3,242	$ 43,636
Corporate assets	166,968	139,249	120,693	1,413,906

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. As described in Note 3 (d), the Company recorded as an additional depreciation expense an estimated loss amount for future disposals of lease properties, based on past results from disposal of such equipment for lease from the year ended March 31, 2007. As a result, compared with the previous method, in the Lease segment, operating revenues and operating income each decreased by ¥193 million (US$1,632 thousand). Also, depreciation increased by ¥5,640 million (US$4,776 thousands).
5. As described in Note 3 (s), the Company has adopted the Accounting Standards for Directors' Bonus from the year ended March 31, 2007. As a result, compared with the previous fiscal year, operating expenses in the Credit & Finance segment and the Real estate segment increased by ¥21 million (US$175 thousand) and ¥78 million (US$657 thousand), respectively, while consolidated increased by ¥160 million (US$1,355 thousand). For each of these, operating income decreased by the same amount.
6. As described in Note 3 (k), the Company has changed its method of estimating allowance for losses on interest repayments from the year ended March 31, 2007. As a result, compared with the previous method, operating expenses decreased by ¥5,334 million (US$45,165 thousand) and operating income increased by the same amount.
7. As described in "Note 3 (q), 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 from the year ended March, 31, 2006. This change caused the operating income of the Credit & Finance segment to increase by ¥597 million for the year ended March 31, 2006.

(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).

Note 17 RELATED PARTY TRANSACTION

Consolidated fiscal year

April 1, 2006 to March 31, 2007	
Attribute	Affiliated company
Company name	UC CARD CO., LTD.
Address	Chiyoda-ku, Tokyo
Capital	¥500 million (US$4,234 thousand)
Business details	Credit & finance
Percentage of ownership (voting rights)	Direct 31.0%
Related contents	
Multiple offices of directors	Yes
Relationship in business	Entrusted to handle credit cards issued by Credit Saison
Transaction details	Settlement of accounts for franchise stores of credit card and collection of installment accounts receivable (see note below)
Total transaction amount	¥1,156,953 million (US$9,822,620 thousand)
Account title	
Accounts payable	¥71,408 million (US$604,688 thousand)
Prepaid expenses and other current assets (other receivable)	¥6,523 million (US$55,237 thousand)

Transaction policy and terms

Note: Commission to entrusted businesses for handling the settlement of accounts for franchise stores and collection of installment accounts receivable is determined with consideration to market price and other factors.

Note 18 SUBSEQUENT EVENTS

At the May 17, 2007 meeting of the Board of Directors, the Company reached an agreement in principle with Mizuho Bank, Ltd. and UC CARD CO., LTD.

The aim of this agreement, which is in line with a basic agreement reached on January 30, 2006, is to integrate and realign credit card operations. In this agreement, the Company scheduled a spin-off of the processing work of its credit card business.

(1) Details of the business integration and realignment

Along with the construction of a next-generation joint system that is now under review, the Company and UC CARD CO., LTD. will achieve full-scale integration and realignment in all areas of their credit card operations. This will create the most competitive company in the credit card business. Specialized units will be set up for each business category, while the three companies will cooperate in every aspect of operations, including business activities, capital and personnel.

Basically, UC CARD CO., LTD. will establish a new processing company (hereinafter referred to as “the new company”), which processes all transactions of credit card business and the Company’s credit card processing business will be spun off and integrated into the new company.

Subsequent to this integration, the Company will have a 51% share in the new company. After the spin-off of its credit card processing business, the Company will mainly strive to expand the credit card issuance business.

(2) Main points of the spin-off

1. Schedule for spin-off

Date for conclusion of spin-off contract: Unscheduled

Date when the spin-off takes effect: April 1, 2008 (scheduled)

2. Spin-off method

The Company is currently conducting the spin-off, and the spun-off business will be absorbed into the new company that UC CARD CO., LTD. will establish. This spin-off fully meets the requirements described in Article 784-3 of the Japanese Corporate Law, and the Company plans to go ahead with it without obtaining approval at the General Meeting of Shareholders.

3. Details of rights and responsibilities to be taken over by the new company

From the Company, the new company will take over assets, liabilities, rights and responsibilities, and contract-related processing work of credit cards, (including the credit screening work, information work, promotion work and administrative business including credit card transactions in progress, except in some special business areas).

4. Other particulars of the spin-off

Undecided at this time

Misuzu Audit Corporation

A network firm of
PRICEWATERHOUSECOOPERS

Misuzu Audit Corporation
Kasumigaseki Bldg.,32nd Floor
3-2-5,Kasumigaseki,Chiyoda-ku
Tokyo 100-6088,JAPAN
Telephone 81-3-5532-2100
Facsimile 81-3-5532-2901

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, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for the three years in the period ended March 31 2007, 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 audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free 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 subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the three 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.

As described in Note 18, at the May 17, 2007 meeting of the Board of Directors, CREDIT SAISON Co., LTD. reached an agreement in principle with Mizuho Bank, Ltd. and UC CARD CO., LTD. The aim of this agreement, which is in line with a basic agreement reached on January 30, 2006, is to integrate and realign credit card operations. In this agreement, CREDIT SAISON Co., LTD. scheduled a spin-off of the processing work of its credit card business.

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.

Misuzu Audit Corporation

Misuzu Audit Corporation

Tokyo, Japan
June 23, 2007

Corporate Information (As of March 31, 2007)

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: ¥75,231 million

Number of Employees: Consolidated: 2,631
Non-consolidated: 1,629

Closing of Accounts: March 31

Stock Listing: Tokyo Stock Exchange, First Section

Ticker No.: 8253

Independent Auditor: MISUZU Audit Corporation
Note: From June 23, 2007, the Independent Auditor has been changed to Deloitte Touche Tohmatsu.

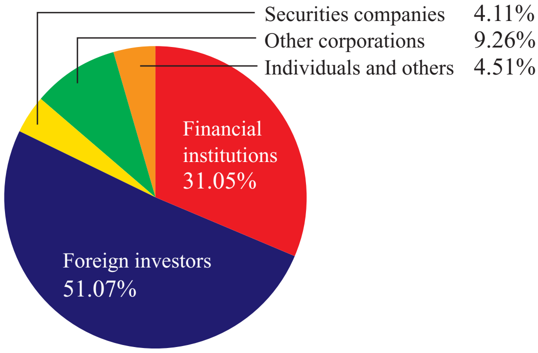
Transfer Agent: The Sumitomo Trust & Banking Co., Ltd.
Stock Transfer Agency Department
1-4-4, Marunouchi, Chiyoda-ku, Tokyo

Common Stock Authorized: 300,000 thousand shares

Common Stock Outstanding: 181,313 thousand shares

Number of Shareholders: 9,895

Composition of Shareholders:



Major Shareholders:

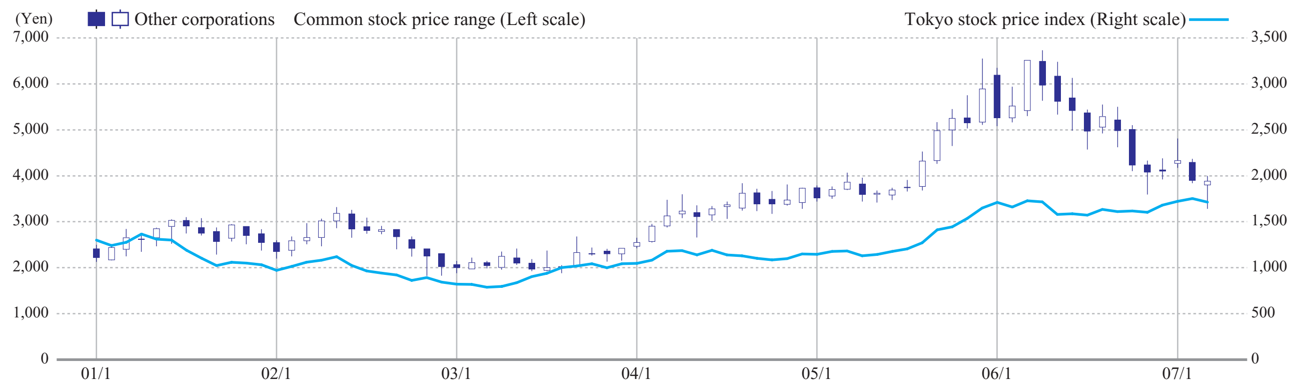
Name	Number of shares (Thousands)	Percentage of ownership (%)
State Street Bank and Trust Company	13,183	7.27
The Seibu Department Stores, Ltd.	11,600	6.40
The Master Trust Bank of Japan, Ltd. (trust account)	10,814	5.96
Japan Trustee Services Bank, Ltd. (trust account)	9,968	5.50
Mizuho Corporate Bank, Ltd.	5,093	2.81
JPMorgan Chase Oppenheimer Funds JASDAQ Account	4,293	2.37
State Street Bank and Trust Company 505103	4,202	2.32
Goldman Sachs International	3,457	1.91
Mellon Bank N.A. as agent for its client Mellon Omnibus US Pension	3,183	1.76

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, 2007 (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 (%)
NOMURA ASSET MANAGEMENT CO., LTD.* and 3 other companies	13,439	7.41
Mizuho Bank, Ltd.* and 4 other companies	13,207	7.28
JPMorgan Asset Management (UK) Ltd.* and 3 other companies	6,234	3.44
Deutche Bank AG London* and 12 other companies	5,757	3.18
BARCLAYS GLOBAL INVESTORS Ltd.* and 9 other companies	4,738	2.61
Fidelity Investments Japan Ltd.	3,422	1.89

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:



Corporate History

1951 **May** The Company is established as a retailer specializing in installment sales

1968 **Jun.** The Company is listed on the first section of the Tokyo Stock Exchange

1976 **Mar.** The Seibu Department Stores, Ltd. and the Company establishes a shareholding relationship and develops a consumer credit system for the Saison Group.

1980 **Aug.** The Company's name is changed from Midoriya Department Stores to Seibu Credit Co., Ltd.

1982 **Aug.** Credit Saison begins to build a nationwide network of Saison Counters to process Seibu Card issues, and to install automated cash dispensers.

1983 **Mar.** The name Seibu Card is changed to SAISON CARD.

1988 **Jul.** Credit Saison reaches agreements with VISA and MasterCard and issues SAISON Visa Card and SAISON MasterCard.

1989 **Oct.** The Company's name is changed to Credit Saison Co., Ltd.

1991 **Jan.** The affinity card business is started.

1991 **Total transaction volume surpasses ¥1 trillion.**

1992 **Apr.** Credit Saison begins to issue Saison Postal Savings Cards, the first cards in Japan to support signatureless transactions (in Seiyu food outlets).

1992 **Total number of cardholders surpasses 10 million**

1995 **Jun.** SAISON JCB CARD is issued in cooperation with JCB Co., Ltd.

1997 **Oct.** SAISON American Express Card is issued through an affiliation with AMERICAN EXPRESS

1998 **The transaction volume of credit-card-related shopping services exceeds ¥1 trillion.**

1999 **Mar.** Starts the SAISON Postal Savings Global Service, with a card offering credit, debit and cashing functions in Japan and overseas.

Sep. Issues combined credit/cash cards with regional banks.

1999 **Total transaction volume surpasses ¥2 trillion**

2000 **Aug.** Net Answer, a web site for cardholders, is started.

2001 **Mar.** Nominated for inclusion in the Nikkei Stock Average (Nikkei 225).

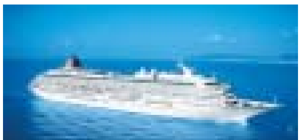
Apr. Exchanges shares of Saison Securities Co., Ltd. for shares of Monex, Inc. (currently Monex Beans Holdings, Inc.).

Nov. A supporting company contract for the Japan national soccer team is concluded.

2002 **Jan.** An agreement is reached with LAWSON, INC. and the Mitsubishi Corporation to jointly establish LAWSON CS Card, Inc.

Feb. Transfers 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.

New membership point service SAISON Dream is started (currently Eikyufumetsu Points, or SAISON Permanent Points in English).



1,000,000 points — around-the-world cruise for two on the ASUKA II.

May A business alliance is formed with Saison Automobile and Fire Insurance Co., Ltd. and The Yasuda Fire & Marine Insurance Co., Ltd. (currently Sompo Japan Insurance Inc.).

Jun. Stock options are granted to all employees for the first time in the company's history.

2003 **Jan.** Begins using SAISON CARD EXPRESS for speedy online card issuance.

Feb. SAISON Four Beat Card issued.

Mar. A special benefit plan for shareholders is introduced.

May Launches an electricity bill credit card payment service for The Kansai Electric Power Co., Inc.

Aug. An agreement is reached on a comprehensive alliance with the card division of Idemitsu Kosan Co., Ltd.

Sep. Start of SAISON STATION, (an information terminal for rapid application and issuance of cards).
Super Value Plus, an insurance product exclusively for cardholders, is issued through a business alliance between Credit Saison, Saison Automobile and Fire Insurance Co., Ltd. and Sompo Japan Insurance Inc.

'51 '55 '60 '65 '70 '75 '80 '85 '90 '95 '00 '01 '02 '03

2004

Feb. A decision is taken to form a strategic equity and business tie-up with Resona Holdings, Inc.

Apr. A basic agreement is reached with Takashimaya Company, Limited on a strategic alliance in the credit card business.

Idemitsu Card mydoplus is issued.

Aug. A basic agreement on forming a strategic alliance in the credit card business is concluded with the Mizuho Financial Group, Inc., Mizuho Bank, Ltd. and UC CARD Co., Ltd.

SAISON CARD INTERNATIONAL

Sep. A real estate mortgage loan business is launched.

TAKASHIMAYA SAISON Card is issued.

Oct. An alliance is formed with Tokyo Gas Co., Ltd. enabling card payment of city gas bills.

Resona Card+S (Resona Card SAISON) is issued.

2005

Feb. SAISON Postal Savings Gold Visa Card is issued.

Apr. The new credit center Ubiquitous starts operation.

Mizuho Mileage Club Card SAISON is issued.

Sep. An alliance is formed with The Tokyo Electric Power Company, Incorporated enabling card payment of electricity bills.

Oct. Chojo-SAISON Credit Card for Japanese expatriates in Shanghai is issued.

SAISON Platinum American Express Card is issued.

A business alliance is formed with The Sumitomo Trust and Banking Co., Ltd. to launch term deposits with SAISON Permanent Points (Eikyufumetsu Points).

Dec. Credit Saison acquires an additional 12.4% of the shares of Resona Card Co., Ltd., making this company an equity-method affiliate.

2006

Jan. Credit Saison merges with UC CARD Co., Ltd. (card issuance business).

An alliance is formed with Toyota Financial Services Securities Corporation to provide new financial services and products.

Feb. An alliance is formed with Central Tanshi On-line Trading Co., Ltd.; SAISON Foreign Exchange sales begin.

Mar. Atrium Co., Ltd., a consolidated subsidiary, lists its shares on JASDAQ.

A new loan product, SAISON Loan Card, is issued.

May Agrees to issue SEIBU PRINCE Card from autumn 2006.

Jun. A comprehensive alliance is formed with Yamada Denki Co., Ltd. in the credit card business.

Jul. Agrees to form a business alliance with The Shizuoka Bank, Ltd.

A basic agreement is concluded on strengthening the alliance with the Takashimaya Group.

Oct. The Eikyu Fumetsu.com online shopping mall is opened.

JPN COLLECTION SERVICE Co., Ltd. is listed on the Hercules section of the Osaka Stock Exchange.

Nov. A shareholder agreement is signed with Daiwa House Industry Co., Ltd. and a joint venture is established.

Dec. Atrium Co., Ltd. is listed on the First Section of the Tokyo Stock Exchange.

2006 **Total transaction volume surpasses ¥2 trillion (non-consolidated)**

2007

Jan. A basic agreement is reached on the establishment of a joint processing company with Mizuho Bank, Ltd. and UC Card Co., Ltd.

Feb. Credit Saison begins to issue Softbank Cards and Tokyo Metro To Me Cards.

Mar. Saison Asset Management Co., Ltd. launches its own investment trusts.

An agreement is reached on a comprehensive alliance with the Yamaguchi Financial Group.

Jun./Jul. The maximum interest rate for cash advances is reduced to 18%.

Jul. A credit card payment facility is introduced for water and sewage charges in the 23 wards of Tokyo.

Aug. Credit Saison begins to accept applications for the Yamakataya Card, issued in partnership with Yamakataya Group.

’04 ’05 ’06 ’07

CREDIT SAISON CO., LTD.

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