

学校の成績と
社会での成績は、
イコールじゃない。

Business Report

April 1, 2006 to March 31, 2007
(the 57th Term)

Concept of the Credit Saison Group

As a cutting-edge services company, we will promote the following three mottos as the values that we will share: introducing policies geared toward customer satisfaction; aiming for mutual profits with our business partners; and cultivating a creative and innovative corporate culture. We will also prevail in a competitive market and offer benefits to our shareholders.

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To Our Shareholders

We are pleased to report to our shareholders on the closing of accounts for the 57th term of our Company (from April 1, 2006 to March 31, 2007).

In our mainstay credit card business, the scope of transactions expanded into utilities payments, taxes, medical bills, and other areas. Meanwhile, new settlement procedures using mobile phones are becoming increasingly popular, leading to increasing convenience for customers. Meanwhile, industry players are being forced to restructure their business models because of the influences of the reduction of the maximum allowable interest rate under the Investment Law and the revision of the Loan Business Law, including control of total amounts. Further market reorganization is likely.

In this environment, the Company achieved the enviable result of posting increases in both sales and profit for the 24th consecutive term. We continued to expand our member base, for example by issuing Yamada LABI Card in a joint business venture with Yamada Denki Co., Ltd., the first large alliance under the UC brand that was part of a merger with the Company in the previous consolidated fiscal year, as well as by issuing the SoftBank Card in alliance with SOFTBANK MOBILE Corp. As a consequence, the number of new card members in the fiscal year under review reached 3.6 million, and the number of card members at the end of the fiscal year became 24.91 million (up 9.3% year-on-year). We also expanded service functions using IT through such initiatives as handling mobile credit services in an alliance with NTT DoCoMo, Inc. and KDDI CORPORATION, redesigning Internet services for members, dealing with the e-money micropayment market.

To increase our competitive edge, we actively sought strategic alliances based on the credit card business. We strengthened our partnership with Takashimaya Company, Limited and agreed on alliances in the retail finance business with Shizuoka Bank, Ltd. and Yamaguchi Financial Group, Inc. In the meantime, we pursued synergy among businesses in business fields other than the credit card business, including the leasing, credit guarantee, and real estate loan businesses.

In addition to this expansion of operations by the Company, the entire Group bolstered its business foundation to enhance corporate value in each business, particularly the real estate business centered on Atrium Co., Ltd., and consequently achieved steady growth.

In response to rising claims for the return of interest associated with the maximum interest rate issue, we reviewed the method for estimating allowances for losses on interest repayments in the fiscal year under review and recorded a provision for allowances for losses on interest repayments.

As a consequence, we posted consolidated operating revenues of 333,683 million yen (rising 21.5% year-on-year), a consolidated ordinary income of 80,157 million yen (an increase of 12.7%), and a consolidated net income of 14,821 million yen (a decrease of 64.9%).

With the credit card industry becoming increasingly challenging, it will be difficult for us to record rises in sales and profit for the 25th consecutive term. Industry reorganization is expected to accelerate. In the environment, the Group will remain committed to its management creed as a cutting-edge services company, develop innovative new services, and strive to expand its customer base. At the same time, we will maximize our corporate value and benefit shareholders by developing a new medium-term business plan to facilitate structural reform and seek to play a key role in the market restructuring as an industry leader.

We hope that our shareholders will continue to support the Group and use the SAISON Card and UC Card.



Hiroshi Rinno
President and CEO
June 2007

Topics for the 57th Term

Promotion of jointly strategic alliances

Establishing joint card companies

Shizugin Saison Card Co., Ltd.

In October 2006, we established Shizugin Saison Card jointly with Shizuoka Bank. This was the first step in our area marketing strategy for expanding leading regional cards in alliances with regional financial institutions.



Daiwa House Financial Co., Ltd.

In November 2006, we established Daiwa House Financial jointly with Daiwa House Industry. The company will actively develop credit card transactions and loans associated with the diversified housing services of Daiwa House Industry and we will be responsible for the retail finance business of the Daiwa House Group.



Forming joint marketing companies

Yamada Financial Co., Ltd.

In June 2006, we established Yamada Financial with Yamada Denki, a leading home appliance volume retailer that ranks third among Japanese retailers in terms of sales, and issued 400,000 Yamada LABI Cards for the alliance by the end of March 2007.



Yamada LABI Card

Agrees to an alliance with Yamaguchi Financial Group, Inc.

In March 2007, we agreed to form an alliance with Yamaguchi Financial Group. Through the alliance with the largest financial group in the Shikoku and Chugoku region, a group that includes The Yamaguchi Bank (Shimonoseki) and Momiji Bank (Hiroshima), we plan to issue the strongest regional card in the area and promote loan services.



New affiliated cards

We have issued affiliated cards through alliances with a total of 230 companies in a broad array of industries, including department stores, railway companies, communications firms, and commercial facilities. We will continue to create profitable cards supported by customers, attaching importance to the number of cards to be issued, the rate of use, and transaction volume.



Improving services and securing fresh revenue sources through new businesses

Eikyufumetsu.com

In October 2006, we set up an online shopping mall named Eikyufumetsu.com exclusively for Saison Card Net members (Net Answer members). About 200 major e-commerce shops of various categories have been opened in the mall. When a Net Answer member shops at the mall and pays with the Saison Card, the member will get two to nineteen times the number of Eikyufumetsu Points (SAISON Permanent points), depending on the amount of shopping. We will distribute profits from performance fees from e-commerce shops through Eikyufumetsu points. We expect to increase the number of new members through the mall. The scheme is the first of its kind in the card industry and we plan to develop it as a new business.



Saison Asset Management Co., Ltd.

In March 2007, we established Saison Asset Management, an investment trust management company, as a wholly-owned subsidiary, and began to offer original investment trusts by the direct selling method. Saison Asset Management sells two funds of funds investing in Index Funds provided by the Vanguard Group, Inc., one of the world's largest investment trust firms, Sawakami funds managed by Sawakami Asset Management Inc., among others. To meet the needs of customers who want to steadily build assets, we provide investment trusts suitable for long-term investment at low costs.



Thoroughbred Club Saison

In July 2006, we started a co-ownership investment system for racehorse for Saison Card members. Thoroughbred Club Saison divides the ownership of racehorses that it has purchased into 200 units or 400 units of equity and offers investment to dormant partners. If a racehorse accrues prize money or other earnings, dividends will be distributed to each partner in accordance with the number of units they hold.



Thoroughbred Club Saison now has 50 active racehorses. In June, it will begin to offer 20 new horses. We select and train racehorses in cooperation with Cosmo View Farm (Hokkaido), a leading racehorse farm, and believe we can look forward to some outstanding performances. Investors can feel like horse owners, watching their horses develop and supporting them at meets.

Topics for the 57th Term

Results and progress of the merger with UC Card

Since the merger of the UC Card member business in January 2006, we have integrated the card functions and services of the Saison brand and UC brand through the consolidation of redundant organs and the fusion of personnel.

Standardization of credit criteria

With respect to card functions, we standardized credit criteria and streamlined and improved the efficiency of the organization. The consolidated divisions are operating in the Shin Mejiro Building, which was set up as the Collection Center, in Edogawabashi (Bunkyo-ku, Tokyo).

Travel service

We consolidated our travel services, taking advantage of the strengths of both brands. We consolidated travel desks in addition to airport lounge services and overseas assistance services and outsourced the services to PTS Corp.

Finance business

With the exception of the credit card operation, the finance business grew significantly. Consequently, the finance business contributed 17% of the non-consolidated ordinary profit in fiscal 2006.

In the real estate loan business, turnover expanded steadily in a booming real estate market. The balance of loans at the end of fiscal 2006 amounted to about 200 billion yen. In the credit guarantee business, which is operated in alliance with about 140 regional financial institutions across the nation, we formed an alliance with Chiba Bank in March 2007. The balance of guaranteed loans at the end of fiscal 2006 was 119 billion yen. The balance of the leasing business centered on vendor leasing was 223 billion yen at the end of fiscal 2006.

Announcement of a joint processing company initiative

In January 2007, we reached an agreement with Mizuho Bank and UC Card to establish a processing company in the credit card business and begin managing the company in April 2008 through joint capital investment by Mizuho Bank and the Company. Most of the processing work of the UC brand is outsourced to UC Card. Starting in April next year, however, almost all processing for both Saison brand and UC brand will be outsourced to the new company.



Authorization of Privacy Mark

On June 1, 2006, the Company obtained the Privacy Mark. The mark is assigned to private companies that are deemed to be taking appropriate measures to protect personal information. In other words, the mark is a domestic standard on personal information management systems that shows that companies are managing personal information protection.



Innovative appointments of directors

First female director Chikako Yokoi



Joined the Company as a part-time worker in 1986. Appointed head of the Promotion Center in charge of the Call Center in 2005. Now the deputy head of Credit Division (general manager of the Company's card operation division, with about 2,500 employees) and is striving to improve customer services and promote awareness of the processing business.

Director in his thirties Hong Tae Kim



Joined the Company in 2002 and was appointed general manager in charge of the Business Strategy Division. After working at forming alliances with Lawson CS Card, Risona Card, Takashimaya, and UC Card, and from 2005 was tapped to become the general manager of the Corporate Planning Department and deputy head of the Business Strategy Division. As head of the Retail Finance Division, now working to increase sales of cashing loan products. At 31, the youngest director of the Company.



Supporting company of Japan national soccer team



ALL FOR 2010!

Credit Saison supports the Japan national soccer team.

The Company concluded an eight-year sponsorship agreement with the Japan Football Association in March 2007. We are proud to continue our support for the Japan national soccer team.

Overview of Results (Consolidated)

In the consolidated term under review, Credit Saison attained 21.5% year-on-year growth in operating revenues, which reached 333,683 million yen. It also posted an 8.1% increase in operating income, to 75,201 million yen, and a 12.7% increase in ordinary income, to 80,157 million yen.

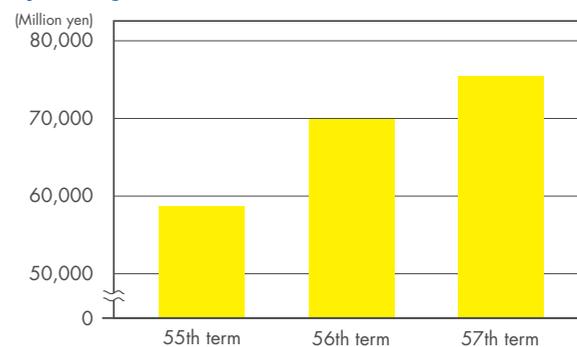
Net income was 14,821 million yen, down 64.9% as a result of the posting of an allowance for losses on interest repayments associated with the revision of the method to estimate allowance for losses on interest repayments and the recording of expected losses on disposal of leased assets as depreciation of leased assets in extraordinary losses.

The following (at right) summarizes the results in each segment.

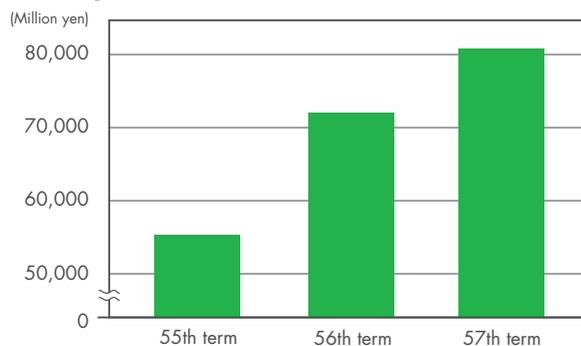
Operating revenues



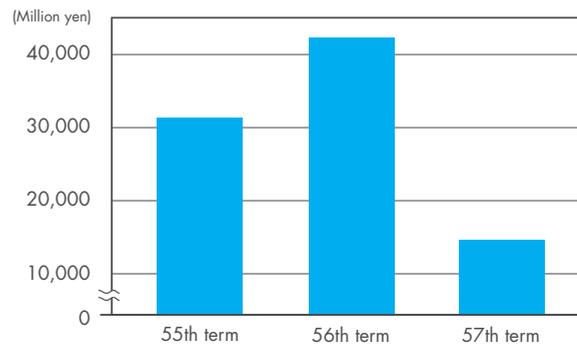
Operating income



Ordinary income



Net income



Overview of Results by Segment

■ Credit and finance (credit, loan, servicing and other businesses)

In our mainstay credit card business, we promoted alliances with Yamada Denki Co., Ltd., Daiwa House Industry Co., Ltd., SOFTBANK MOBILE Corp., etc. and issued a new card for wealthy customers in alliance with the Takashimaya Group, thereby strengthening our ties. To develop new customers, we formed alliances with Shizuoka Bank, Ltd. and Yamaguchi Financial Group, Inc. in the retail finance business and will provide a broader array of financial services to customers in the relevant regions.

We bolstered our utilities and mobile phone charges payments and our transactions in the e-money micropayment market. The loan business, including consumer finance, also performed well. As a consequence, operating revenues amounted to 284,192 million yen, rising 25.4% year-on-year, and operating income 61,484 million yen, up 12.4%.

■ Real estate (real estate liquidation, servicer, real estate fund, and other businesses)

In the real estate liquidation business, we steadily acquired properties and sold properties for sale according to plan in a booming real estate market. Meanwhile, we moved properties for sale (trust beneficiary rights) off the balance sheet and shifted to a fee business.

In the servicer business, we took steps to ensure debt collection through the disposal of real-estate collateral and enhanced business reconstruction projects steadily.

In the real estate fund business, we endeavored to maximize asset values by improving and stabilizing cash flows and the operating ratio by bolstering the value of property holdings, engaging in appropriate leasing and by reducing the expense ratio through strict property management.

Consequently, the Atrium group performed well, and operating revenues in the real estate business amounted to 20,574 million yen, a rise of 6.6%.

■ Entertainment (amusement businesses)

In the amusement business, we strived to develop sound, safe, comfortable, community-based amusement facilities. However, as a result of tighter regulations on gaming machines, operating revenues became 16,920 million yen, down 5.6%, operating income 2,045 million yen, down 23.9%.

Consolidated Statement of Income (From April 1, 2006 to March 31, 2007)

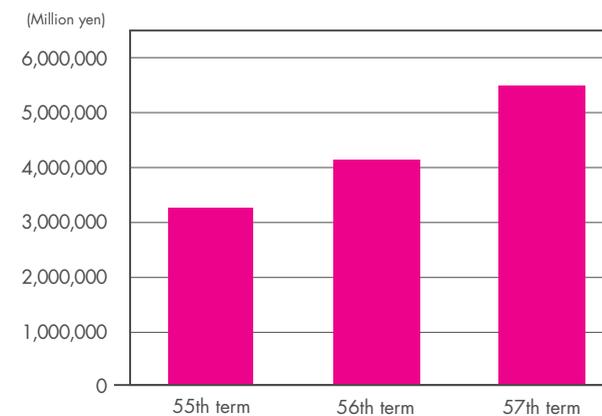
(Unit: million yen)

Account item	Amount		Amount of increase or decrease (%)
Operating revenues			
Financing and administration fees		274,230	
Income from entertainment sales			
Entertainment sales	126,070		
Cost of entertainment sales	109,196	16,874	
Income from real estate			
Real estate sales	94,517		
Cost of real estate sales	74,647	19,869	
Income from leases			
Leases sales	68,831		
Cost of leases sales	62,067	6,763	
Income from other business			
Other sales	6,532		
Cost of other sales	342	6,190	
Financial revenues		9,755	
Total operating revenues		333,683	121.5
Operating expenses			
Selling, general and administrative expenses		242,149	
Financial cost		16,332	
Total operating expenses		258,481	126.0
Operating income		75,201	108.1
Non-operating income		7,770	
Non-operating expenses		2,814	
Ordinary income		80,157	112.7
Extraordinary gains			
Gain on sale of shares in affiliates	3,057		
Gains on the reversal of allowance for losses on receivables	1,103		
Profit from changes in equity	707		
Gains on the reversal of allowance for loss on liquidation of business	395		
Gain on sale of investment securities	342		
Gains on redemption of investment securities	276	5,882	
Extraordinary losses			
Provision for allowance for losses on interest repayments	40,924		
Depreciation on lease assets	5,447		
Loss from changes in equity	2,719		
Impairment loss of property and equipment, other assets	2,369		
Loss on evaluation of investment securities	413		
Loss from sale of fixed assets	243		
Loss on valuation of shares in affiliates	161		
Loss on valuation of investments in affiliates	55		
Loss on sale of investment securities	31		
Loss on sale of shares in affiliates	3		
Other	58	52,429	
Income before income taxes and minority interests		33,610	66.2
Income taxes, current	41,688		
Income taxes, deferred	△ 27,418	14,270	
Minority interests		4,518	
Net income		14,821	35.1

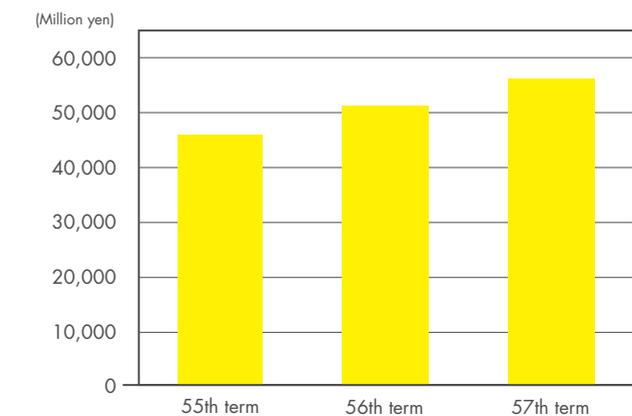
Note: Rounded down to the nearest million yen.

Financial Highlights (Non-consolidated)

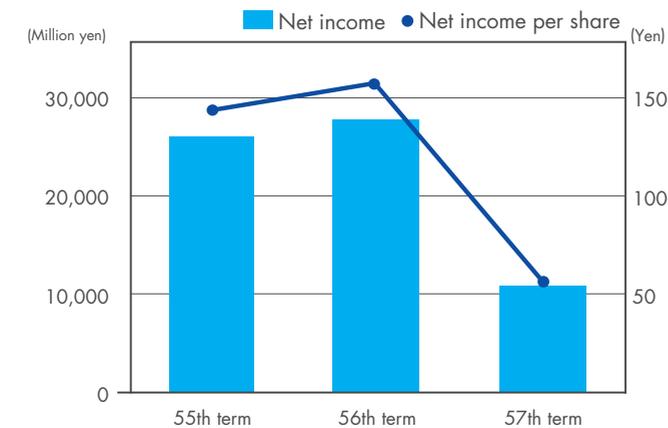
Turnover



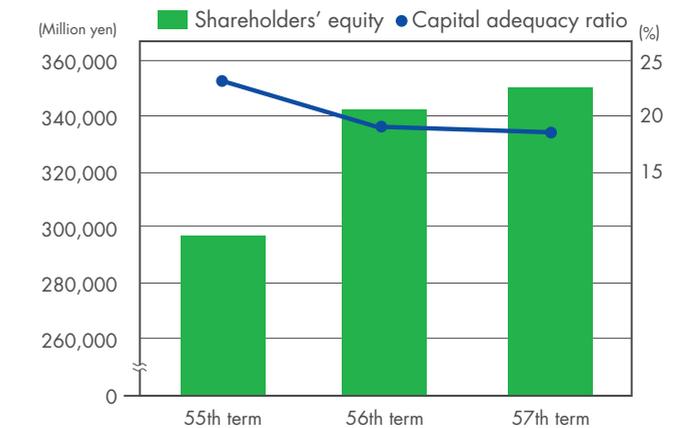
Ordinary income



Net income and net income per share



Shareholders' equity and capital adequacy ratio



Non-consolidated Balance Sheet (as of March 31, 2007)

(Unit: million yen)

ASSETS			LIABILITIES		
Account item	Amount	Amount of increase or decrease	Account item	Amount	Amount of increase or decrease
Current assets			Current liabilities		
Cash and deposits	41,185	4,183	Notes payable	2,245	308
Installment accounts receivable	1,527,793	163,029	Accounts payable	233,495	56,444
Merchandise	657	△ 9	Short-term loans	279,264	△ 74,504
Supplies	1,246	234	Current portion of long-term loans	40,200	△ 703
Prepaid expenses	872	230	Current portion of Corporate bonds	30,000	20,000
Deferred income taxes	13,269	6,612	Commercial paper	97,000	△ 16,000
Short-term loans	5,000	5,000	Current portion of payables under securitized lease receivables	12,116	116
Other receivable	16,353	△ 8,829	Other payable	5,461	2,770
Other	11,902	2,141	Accrued expenses	19,920	2,039
Allowance for losses on receivables	△ 56,439	△ 3,193	Accrued taxes on income	28,578	28,212
Total current assets	1,561,842	169,400	Withholdings	7,822	4,285
Fixed assets			Advance received	166	△ 14
Property and equipment, at cost			Allowance for bonuses	1,711	△ 72
Equipment for lease	163,149	4,503	Allowance for directors' bonuses	160	160
Buildings	6,186	33	Allowance for loss on interest repayment	10,161	8,071
Vehicles	0	0	Unearned income	5,126	881
Fixtures and equipment	7,942	665	Other	613	△ 297
Land	3,642	—	Total current liabilities	774,043	31,697
Construction in progress	518	△ 948	Long-term liabilities		
Total property and equipment	181,439	4,256	Bonds	220,000	20,000
Intangible assets			Long-term loans	505,670	114,300
Leaseholds	14	△ 1	Payables under securitized lease receivables	35,883	△ 12,116
Software	34,190	7,065	Accrued pension and severance costs	5,665	△ 499
Other	4,123	3,874	Retirement allowance for directors and statutory auditors	715	122
Total intangible assets	38,328	10,939	Allowance for losses on guarantee	2,537	796
Investments and other assets			Allowance for permanent point	36,205	7,182
Investment in securities	71,797	△ 4,474	Allowance for loss on interest repayment	30,360	30,360
Shares in affiliates	47,760	7,861	Lease deposits received	728	△ 41
Investment in capital	51	—	Other	1,431	1,196
Investments in affiliates	0	△ 55	Total long-term liabilities	839,197	161,300
Long-term loans	28,223	—	Total liabilities	1,613,241	192,998
Long-term loans to affiliates	5,000	—			
Long-term prepaid expense	3,600	△ 350			
Lease deposits	2,878	4			
Deferred income taxes	26,091	13,427			
Other	1,813	283			
Allowance for losses on receivables	△ 4,123	△ 11			
Allowance for losses of investment	△ 2,054	—			
Total investments and other assets	181,038	16,685			
Total fixed assets	400,806	31,880			
Deferred assets					
Bond issue costs	347	49			
Total deferred assets	347	49			
Total assets	1,962,996	201,330			

Notes: 1. Rounded down to the nearest million yen.
2. The amount of increase or decrease reflects the difference from the outstanding balance as of March 31, 2006.

Non-consolidated Statement of Income (From April 1, 2006 to March 31, 2007)

(Unit: million yen)

Account item	Amount	Amount of increase or decrease (%)
Operating revenues		
Credit cards	99,725	
Shopping loans	609	
Guarantees	5,372	
Loans	129,572	
Agency services	12,217	
Income from leases		
Lease sales	68,886	
Cost of leases sales	62,091	6,795
Income from other sales		
Other sales	6,921	
Cost of other sales	342	6,579
Financial revenues	9,401	
Total operating revenues	270,275	124.9
Operating expenses		
Selling, general and administrative expenses	204,765	
Financial cost		
Interest expense	13,242	
Other expenses	825	14,067
Total operating expenses	218,833	131.4
Operating income	51,442	103.2
Non-operating income	5,514	
Non-operating expenses	323	
Ordinary income	56,632	111.6
Extraordinary gains		
Gain on sale of shares in affiliates	754	
Revenue accrued from sale of investment in securities	342	
Gains on the reversal of allowance for losses on receivables	310	
Gains on redemption of investment securities	276	1,683
Extraordinary losses		
Provision for allowance for losses on interest repayments	35,676	
Depreciation on lease assets	5,447	
Loss on securities devaluation	248	
Loss on valuation of shares in affiliates	161	
Loss on disposal of fixed assets	114	
Loss on valuation of investments in affiliates	55	
Loss on sale of investment securities	31	41,737
Net income before income taxes	16,578	60.8
Income taxes, current	29,974	
Income taxes, deferred	△ 23,617	6,357
Net income	10,221	37.7

Note: Rounded down to the nearest million yen.

Stocks Information (as of March 31, 2007)

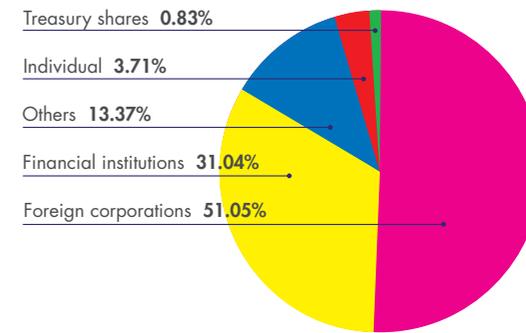
- Number of shares common stock issued 300,000,000 shares
- Number of outstanding shares 181,312,925 shares
- Number of shareholders 9,895

■ Major shareholders

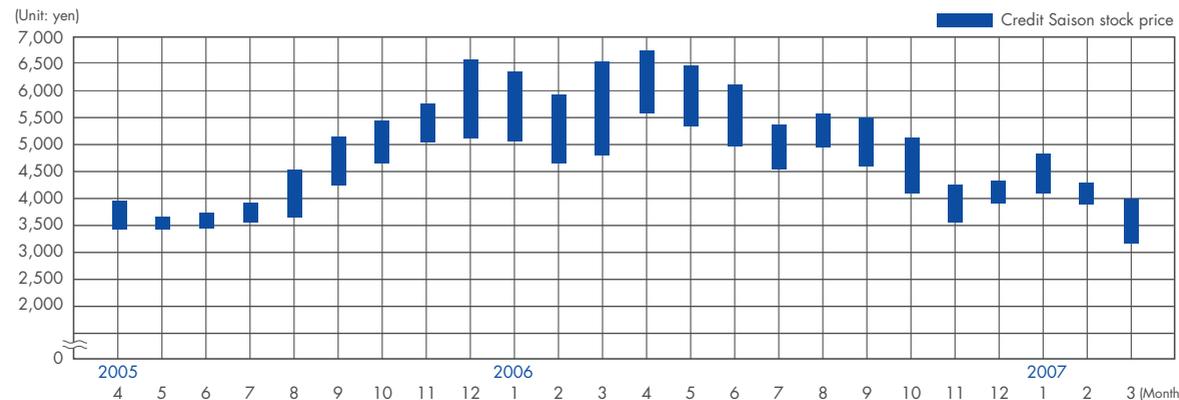
Shareholder's name	Equity contribution to the Company	
	Number of shares held	Shareholding
State Street Bank and Trust Company	131,830	7.27
Seibu Department Stores, Ltd.	116,000	6.40
The Master Trust Bank of Japan, Ltd. (trust account)	108,140	5.96
Japan Trustee Services Bank, Ltd. (trust account)	99,689	5.50
Mizuho Bank, Ltd.	50,931	2.81
Mizuho Corporate Bank, Ltd.	46,755	2.58
JP Morgan Chase Oppenheimer Funds JASDEC Account	42,934	2.37
State Street Bank and Trust Company 505103	42,024	2.32
Goldman Sacks International	34,577	1.91
Mellon Bank NA, as Agent for Its Client Mellon Omnibus US Pension	32,454	1.79

(Unit: 100 shares, %)

■ Shareholders composition



■ Stock price trend



Corporate Data (as of March 31, 2007)

- Trade name: Kabushiki-Kaisha Credit Saison
- English name: Credit Saison Co., Ltd.
- Incorporated on: May 1, 1951
- Paid-in capital: ¥75,230,804,808
- Number of employees: 1,629 persons (3,082 persons)
Note: The figure in parentheses represents the average number of temporary and part-time employees in the first half of the term.

- Scope of business:
 - 1 Brokerage for installment selling (credit sales using credit cards and other means), financing, leasing, credit guarantee and insurance services
 - 2 Total consultation for asset operation and investment
 - 3 Leasing and sales of real estate
 - 4 Data processing services and others

- Head office: 52F Sunshine 60 Bldg., 1-1 Higashi Ikebukuro 3-chome, Toshima-ku, Tokyo 170-6073, JAPAN
TEL: 81-3-3988-2111 (main switchboard)
Website: www.saisoncard.co.jp

■ Board of Directors and Statutory Auditors:

President and CEO	Hiroshi Rinno
Executive Vice President	Teruyuki Maekawa
Senior Executive Director	Toshiharu Yamamoto
Managing Director	Hidetoshi Suzuki
Managing Director	Kazufusa Inada
Managing Director	Naoki Takahashi
Managing Director	Mitsusuke Yamamoto
Director	Kenzo Tada
Director	Takayoshi Yamaji
Director	Kyousuke Togano
Director	Chikako Yokoi
Director	Hideo Suzuki
Director	Hong Tae Kim
Director	Atsushige Takahashi
Director	Hiromichi Sato
Director	Yoshiro Yamamoto
Standing Statutory Auditor	Toshio Sakai
Standing Statutory Auditor	Isamu Sato
Statutory Auditor	Atsushi Toki
Statutory Auditor	Seiji Sugiyama

Guide to Shareholder Program

SAISON Permanent Points (“Eikyufumetsu Points”), valid indefinitely, are awarded to our shareholders.

SAISON Permanent Points (“Eikyufumetsu Points”), valid indefinitely, are awarded annually in the middle of August to those who were our shareholders and Saison Card members as of the end of March, based on the number of shares held.

*Some cards are not eligible for the Saison Permanent Points Program.

Number of shares held	Number of points awarded
100 shares to below 500 shares	500 points
500 shares to below 1,000 shares	1,000 points
1,000 shares or more	1,500 points

For information on SAISON Permanent Points (“Eikyufumetsu Points”), please see the page at right.

For questions regarding the shareholder program, please contact:

General Affairs Department, Credit Saison Co., Ltd. ☎ 03-3988-2111

(Inquiries accepted between 9:00 a.m. and 5:45 p.m. on weekdays; closed on Saturdays, Sundays and holidays)

Information for Shareholders

- **Business year:** From April 1 of each year to March 31 of the following year
- **Ordinary general meeting of shareholders:** June
- **Record date:** Date of record for exercise of rights at Ordinary General Shareholders Meeting: March 31
Date of record for cash dividends: March 31
Other dates will be announced in advance as necessary.
- **Transfer agent:** Stock Transfer Agency Department, The Sumitomo Trust & Banking Co., Ltd.
5-33 Kitahama 4-chome, Chuo-ku Osaka
- **Place where tasks are handled:** Stock Transfer Agency Department, The Sumitomo Trust & Banking Co., Ltd.
4-4 Marunouchi 1-chome, Chiyoda-ku, Tokyo
- **Mailing address and contact phone number:** Stock Transfer Agency Department, The Sumitomo Trust & Banking Co., Ltd.
1-10 Nikko-cho, Fuchu, Tokyo 183-8701
When requesting forms for change of address and others:
☎ 0120-175-417 (automated voice response)
For other referrals:
☎ 0120-176-417 (9:00 - 17:00. Closed on Saturdays, Sundays and holidays)
- **Website:** www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html
- **Locations of agent:** The Sumitomo Trust & Banking Co., Ltd., the head office and branch offices nationwide
- **Media for public notice:** *Nihon Keizai Shimbun* (newspaper) issued in Tokyo