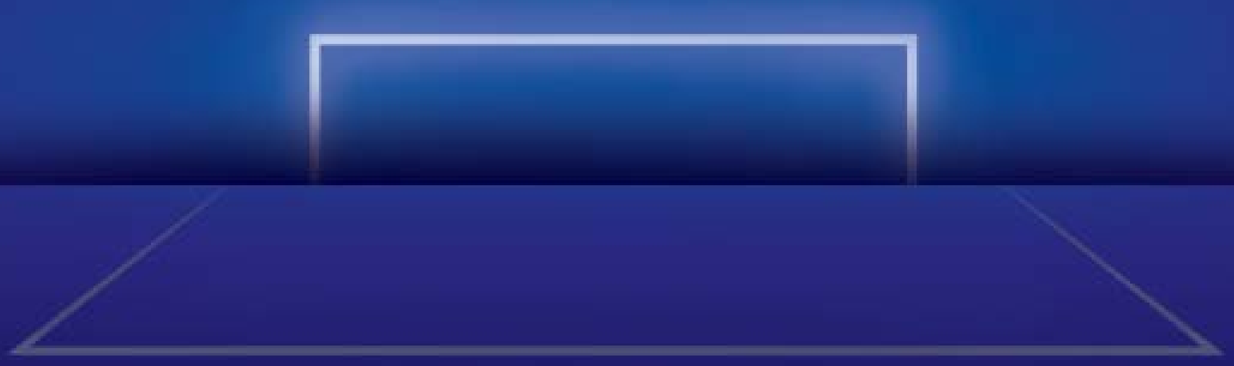
What's the

Goal?



CREDIT SAISON CO., LTD. ¦ ANNUAL REPORT 2005

At Credit Saison,
we do not simply set goals
that imply a final destination.
For us, the "goal" is
the process of constantly achieving
customer satisfaction, while our mission is to
bring happiness and joy to our customers
through the quality of our services,
and doing it again, and again.
Improving customer satisfaction
provides us with the momentum
and motivation to work
toward yet another new goal.

The Goal is Satisfaction

Over the past year,
Credit Saison established
many goals in line with our aim of
achieving steady growth.
The achievement of those goals
provided us with new foundations
indispensable to moving forward.
It is our greatest pleasure
to announce and share
the results with you.
We aim to renew our goals
while valuing the successes
achieved in this fiscal year.

CONTENTS

Reached a basic agreement with Takashimaya Company, Limited on a strategic alliance in the credit card business. Started issuing “TAKASHIMAYA SAISON CARD” from September 2004

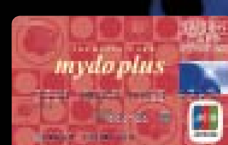
Alliance with Resona Holdings, Inc. Started providing commissioned processing services for “Resona Card+S (Resona Card SAISON)” in October 2004

Achieve Goals

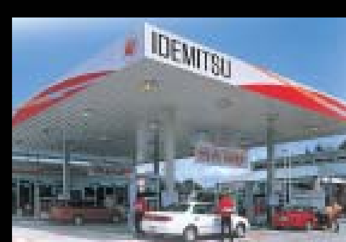
Fiscal 2004 Business Highlights

Credit Saison aims to be a leading-edge service provider and takes a totally customer-oriented approach to constantly undertaking innovative challenges. As the Japanese credit card industry undergoes further reorganization, our Group is aggressively promoting strategic alliances in the credit card business with companies including Idemitsu Kosan Co., Ltd., Takashimaya Company, Limited, Resona Holdings, Inc. and Mizuho Financial Group, Inc. to strengthen our position as a leading company in the industry. Credit Saison received 2.41 million new card applications during the past fiscal year and total cardholders reached 16.9 million. The number of active cardholders increased 420 thousand compared to the end of the preceding term to 8.83 million. Looking forward, we are fully deploying our strengths as we strive to gain top market share in the industry by expanding our credit card business through numerous channels.

Started securities brokerage business through an alliance with Monex Beans Holdings, Inc.



Started providing commissioned processing services for the “Idemitsu Card Mydo Plus” from April 2004. The number of credit cards issued totaled 800 thousand.



Reached a basic agreement to form a strategic business alliance in the credit card business with Mizuho Financial Group, Inc. Started issuing "Mizuho Mileage Club Card SAISON" from April 2005.

With the aim of creating a new revenue source, Credit Saison launched a real estate mortgage loan business with the use of its unique expertise.

by *Innovating*

Completion of the new credit center "Ubiquitous," which began full-scale operations from April 2005.

Expansion of card usage to include payment of utility bills such as electricity and gas.

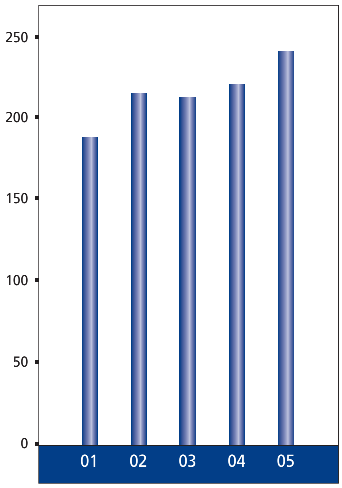
Financial Highlights

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

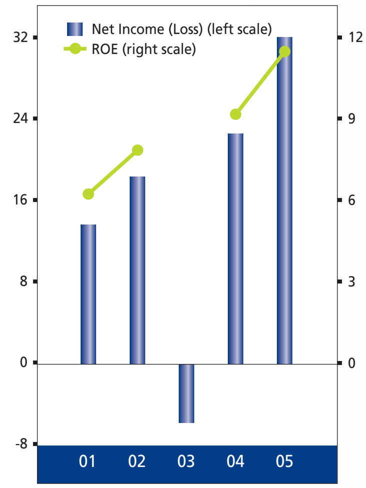
	Millions of yen 2005	2004	2003	% change 2005/2004	Thousands of U.S. dollars (Note 3) 2005
Consolidated:					
Operating revenues (Note 1)	**¥ 240,385**	¥ 220,332	¥ 212,242	**9.1**	**$ 2,238,014**
Selling, general and administrative expenses	**172,024**	156,502	147,018	**9.9**	**1,601,565**
Financial cost	**9,771**	9,825	12,810	**(0.5)**	**90,969**
Operating income	**58,590**	54,005	52,414	**8.5**	**545,480**
Net income (loss)	**31,818**	22,420	(6,027)	**41.9**	**296,234**
Total shareholders' equity (Note 2)	**301,310**	258,253	236,028	**16.7**	**2,805,228**
Total assets	**1,512,949**	1,352,710	1,280,823	**11.8**	**14,085,739**
Return on shareholders' equity (ROE) (%)	**11.4**	9.1	—		
Return on assets (ROA) (%)	**2.2**	1.7	—		
Shareholders' equity ratio (%)	**19.9**	19.1	18.4		
Per share data (in yen and U.S dollars) (Note 2):					
Net income (loss) per share	**185.00**	130.55	(36.57)	**41.7**	**1.72**
Shareholders' equity per share	**1,721.35**	1,519.13	1,380.26	**13.3**	**16.03**
Credit Card Business Data (Non-consolidated):					
Card transaction volume	**¥2,596,186**	¥2,408,698	¥2,342,865	**7.8**	**$24,170,801**
Credit-card-related shopping services	**2,078,117**	1,912,211	1,808,625	**8.7**	**19,347,515**
Cash advances	**518,069**	496,489	534,241	**4.3**	**4,823,285**
Total cardholders (Millions)	**16.90**	15.87	14.90	**6.5**	
Active cardholders (Millions)	**8.83**	8.41	8.07	**5.0**	
New cardholders (Millions)	**2.09**	1.86	2.30	**12.4**	

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 ¥107.41 = U.S.$1, the approximate exchange rate on March 31, 2005, for the convenience of the reader.

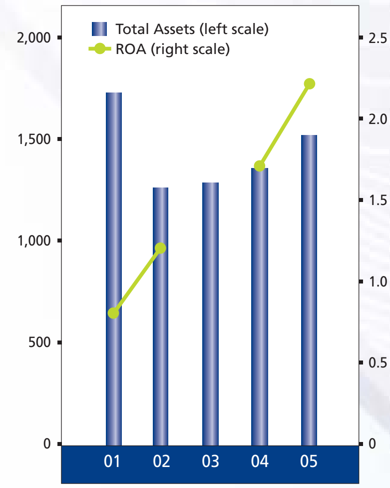
Operating Revenues
(Billions of yen)



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



Total Assets and ROA
(Billions of yen / %)



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

Forward-looking Statements

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

Stakeholder Satisfaction *Matters!*

To Our Stakeholders

The Credit Saison Group is adding to the various lifestyle support services it provides to customers while aggressively implementing changes based on its corporate culture of intensely focusing on customer satisfaction.

"Our goal is to increase corporate value by maximizing stakeholder satisfaction."

Hiroshi Rinno
President and CEO

Overview of Fiscal 2004

Revenues and income increased due to successful growth in the credit & finance and real estate businesses. Net income reached a record ¥31.8 billion.

During fiscal 2004, the year ended March 31, 2005, operating revenues increased 9.1 percent year-on-year to ¥240.4 billion because of growth in our credit card business and robust performance in our real estate and leasing businesses. Exemplifying the stable earnings base we are building, new credit card applicants totaled 2.41 million for the fiscal year, total cardholders increased 1.03 million to 16.90 million as of March 31, 2005, and active cardholders increased by 420 thousand to 8.83 million.

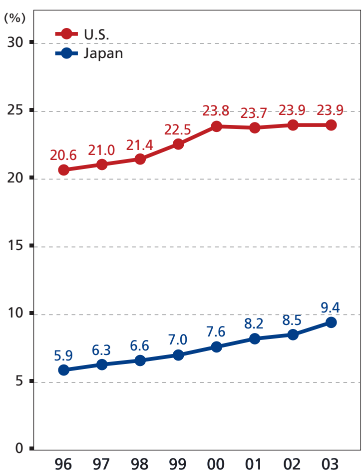
Operating income increased 8.5 percent year-on-year to ¥58.6 billion. We countered the impact of increases in advertising expenses, fees and allowance for losses on receivables in our consumer credit and finance businesses by executing an effective total cost control program. Income before income taxes increased 34.3 percent to ¥54.4 billion. A reduction in impairment loss of property and equipment compared to the previous fiscal year, in which we executed the early implementation of new impairment accounting standards, offset a loss on evaluation of investment securities. As a result, net income increased a strong 41.9 percent year-on-year to ¥31.8 billion.

Strategic Alliances Drive Dramatic Expansion

We are promoting major alliances and strengthening our operating base, which positions us as a clear leader in the rapidly changing credit card industry.

Percentage of Credit Card Use in Personal Consumption

(Japan – U.S. Comparison)



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

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

The restructuring of the retail credit industry in Japan gathered momentum during the past fiscal year, and the competitive landscape of the credit card industry has changed significantly. Credit Saison concluded a comprehensive alliance with Mizuho Financial Group, Inc., and we plan to integrate our issuer operations with UC CARD Co., Ltd. as part of this alliance during fiscal 2005. Other companies are also forming alliances, such as the integration of Nippon Shinpan Co., Ltd. and UFJ Card Co., Ltd., which has accelerated the consolidation of the credit card industry. We expect that three companies will come to dominate the credit card industry, and we intend to be one of them. Large-scale mergers and acquisitions are taking place that would have been unimaginable five years ago. As a leading company in the credit card industry, Credit Saison is playing a key role as our industry restructures.

In this setting, Credit Saison's operating environment improved as consumer spending recovered and the number of personal bankruptcies stabilized. In addition, credit card usage channels expanded rapidly. Fresh markets have opened as the use of credit cards has gained momentum in new areas such as paying for utilities and medical expenses. Moreover, even small payments for which the use of cash has been the norm are changing dramatically. Forms of electronic money such as *Suica*® offered by East Japan Railway Company and *Osaifu-Keitai*® (Mobile Wallet) offered by NTT DoCoMo, Inc. are representative of the change in Japanese attitudes concerning payment.

Credit Saison looked at its changing operating environment and aggressively formed major alliances to enhance its competitive advantage as a leading company in the credit card industry. In September 2004, we began issuing affinity cards on behalf of Takashimaya Company, Limited, the sales leader of Japan's department store industry. We also expanded our network of Saison counters to approximately 170 locations during fiscal 2004 by opening "Takashimaya Saison

Card Transaction Volume and Total Number of Cardholders

	2005	2004	2003	2002	2001
Card transaction volume (Billions of yen)	**2,596.2**	2,408.7	2,342.9	2,121.6	1,855.8
Total cardholders (Millions)	**16.90**	15.87	14.90	13.40	11.40

Counters" inside 19 Takashimaya department stores throughout Japan. Moreover, in April 2005 we began issuing cards that function as both a cash card for Mizuho Bank, Ltd. and a SAISON CARD, based on the comprehensive alliance agreement with Mizuho Bank we concluded in December 2004. In fiscal 2005, we have established the Mizuho UC Alliance Promotion Office and are focusing on promoting our strategic alliance with the Mizuho Financial Group, including integration of the management of UC CARD's Issuer Division.

In addition, Credit Saison has been concentrating on expanding the processing business to maximize the use of our assets and many years of know-how. We structure strong partnerships with our alliance clients by investing capital, people and expertise. As a result, improvement in Credit Saison's corporate value is ultimately linked to enhancing the corporate value of our clients as we work together in the credit card business. We began jointly issuing the "Idemitsu Card Mydo Plus" in April 2004, and the "Resona Card+S (Resona Card SAISON)" in October 2004. Credit Saison is also providing commissioned processing services for these alliances.

Fiscal 2005 Management Strategy

As industry restructuring progresses, we will reaffirm our strong growth trajectory by targeting fiscal 2005 increases in credit card applications to 2.7 million, total cardholders to 18.2 million, and active cardholders to 10.0 million.

Credit card industry restructuring is projected to peak during fiscal 2005. Amid dramatic changes in the structure of our industry, the Credit Saison Group will emphasize the following four policies to build a powerful management foundation that can generate success regardless of the operating environment.

Stronger Marketing

Three divisions are working together as one with the aim of making Credit Saison number one in the credit card industry. They are the Sales Division, which manages 12 branches throughout Japan; the Credit Card Division, which has been reorganized into six separate divisions associated with particular alliances; and the Credit Division, which manages the new credit center we have named "Ubiquitous."

Ubiquitous is at the core of the Credit Division and has industry-leading scale and functions that give concrete expression to the Credit Saison Group's management philosophy of being a leading-edge service provider. It not only enhances our operational infrastructure, but is also designed to expand our intangible infrastructure by providing the best customer relationship management in Japan. We are proud that we have created one of the industry's best credit centers. Looking forward, Ubiquitous will be positioned as one of Credit Saison's sales bases as we promote branch-centered area marketing that makes use of the unique characteristics of each region we serve. The Credit Card Division will also conduct sales in unison with clients as we work to make the SAISON CARD the number-one credit card in each region of Japan.

While making organizational changes, we are also expanding the services we offer with the goal of fulfilling customer expectations. Conventionally, credit card companies have set parameters that limited card usage among customers. However, companies have now begun to emphasize customer needs and lift these parameters to allow greater freedom of use for shopping. Building on SAISON Permanent Points (*"Eikyufumetsu Point"*), we are developing features that are not available at other companies to raise the value of the SAISON CARD with the goal of increasing transaction volume and total cardholders.

We strongly believe that the SAISON CARD will become our customers' most powerful card. To make it our customers' card of choice, we have focused on making the SAISON CARD strongly appealing by introducing innovative services such as no annual fees, bonus points that never expire and bonus offers from our clients, as well as by allowing customers to set their own credit limits and adding the services provided by our Ubiquitous credit center.

Stronger Alliance Businesses

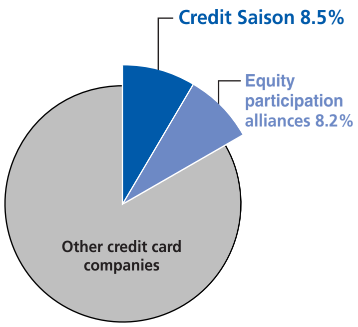
During fiscal 2005 we will make maximum use of our network of alliances with the aim of achieving our sales targets of 2.7 million new card applicants, 18.2 million total cardholders and 10.0 million active cardholders.

We will strengthen marketing so that joint sales with clients will stimulate new card applications and card usage. We will also provide capital, people and know-how to build strong partnerships with the companies for which we issue affinity cards with the goal of expanding our credit business. We have five affiliated companies, and the total number of credit cards issued reached approximately 13 million. The number of credit cards issued by these companies and Credit Saison totaled approximately 30 million, and our Group's card transaction volumes gained top market share of approximately 16 percent. Specifically, the "Idemitsu Card Mydo Plus" which was launched in April 2004, showed remarkably favorable growth and acquired 800 thousand cardholders during the year. This performance also contributed to Credit Saison's commissioned processing business.

In addition, in fiscal 2005 we will concentrate on banking channels in the credit card business, with emphasis on Mizuho Bank. We will also use the complementary strengths of UC CARD in integrating and restructuring operations to strengthen competitiveness and raise operating efficiency. Looking forward, we will add capital participation and business acquisitions to our purview and further expand our alliance strategy with the goal of acquiring a 30 percent market share over the long term.

Market Share of Shopping-Related Credit Card Transactions Volume

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



Results of Alliance Strategy

	New credit card applicants (Millions)	Total number of credit cards issued (Millions)	Shopping-related credit card transactions by volume (Billions of yen)
Credit Saison	2.41	16.9	2,078
Equity participation total*	approx. 2.0	approx. 13	approx. 1,700
Total	approx. 4.4	approx. 30	3,800

*Notes: Estimated figures excluding transaction volume of Group companies and use of other companies' credit cards at Credit Saison's affiliated stores

Mobilizing Comprehensive Group Strengths

During fiscal 2005, we will deploy our extensive know-how to strengthen our business foundation as a comprehensive financial services company. We will also make maximum use of human resources and physical assets in promoting the development of a diverse array of businesses. With credit cards as our core business, we intend to raise the corporate value of the Credit Saison Group by strengthening synergy among Group companies to build organic linkage among the three businesses of credit cards, finance and increasing asset value.

In the credit card business, we will strengthen the foundation we will require to be the company with the top market share of cards issued. At the same time, we will participate in securities brokerage, investment product development and other businesses as we work to strengthen our efforts to add value to our credit cards. In the securities brokerage business, since December 2004 we have been working as an agent opening accounts for Monex Beans, Inc. at Saison Counters and over the Internet, and have been marketing Japanese government bonds to individuals. Our alliance with an Internet-based securities company represents a bold new direction for Credit Saison given our traditional emphasis on face-to-face counter sales. In the area of investment, we established the Investment Business Planning Department within the Strategy Division to provide educational seminars for cardholders on investing and to study the development of new services. In the future, we expect to expand the products we handle and the locations at which we offer services to broaden our ability to provide services that meet customer needs.

In the finance business, we will use our financial know-how in the leasing, credit guarantee and mortgage loan businesses, as well as the consumer finance business. We intend to develop an array of businesses that meet the market needs of both individuals and corporations.

The business of increasing asset value involves using Credit Saison Group assets including human resources, physical assets and expertise to structure a business portfolio that generates growth in each business sector and that exhibits compatibility with our finance businesses, including the credit card business. Moreover, we will promote alliances and mergers and acquisitions that strengthen operations from the perspective of maintaining a sound balance sheet. We will also use initial public offerings in structuring growth strategies for affiliates in each area of operations.

Personnel System Innovations

We have introduced a new personnel system that provides horizontal coverage of all types of employment status, and we are promoting the regular use of specialists to scout for qualified personnel, as well as personnel training for self-development. The Credit Saison Group takes positive steps to make use of the skills of female and younger employees, and we will continue working to develop strongly competent personnel with the spirit and knowledge that will serve them even outside the Company.

Achieving Profitable Growth

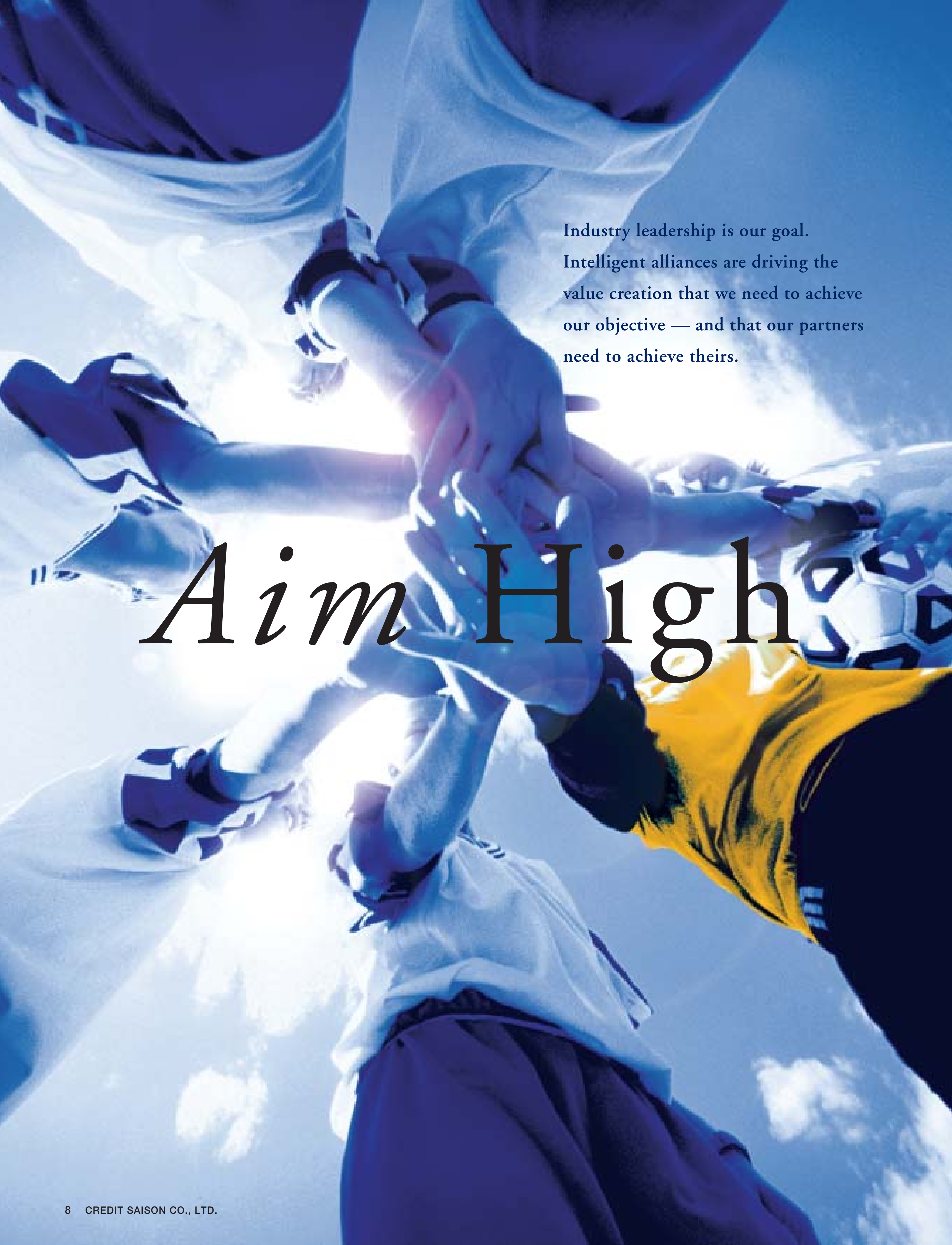
In the current fiscal year, we will mobilize our comprehensive Group strengths in working to increase the Group's corporate value. Fiscal 2005 is also the final year of our medium-term management plan, so we will also be working to achieve the plan's objectives while formulating an effective new medium-term management plan.

During fiscal 2004, we achieved gains in revenues and income, and the primary indicators in the credit card business point to success. I am not satisfied with things as they stand, however. Credit Saison has become a leading company in the credit card industry, but examples of complacency following success are common in business. We cannot let our successes make us complacent. Rather, we must constantly employ innovative ideas and strategies to generate profitable growth. Our most important strategy is simply to be a company that is supported by its customers.

The Credit Saison Group is working to increase its corporate value. We plan to return to a high-growth trajectory by achieving our targets for the end of March 2006 of operating revenues of ¥252 billion, operating income of ¥60 billion and net income of ¥34 billion. Moreover, we are emphasizing the involvement of younger executives as we formulate our next medium-term management plan. My role as a manager is to steer the Group as it works to implement the plans that its own people created. Look for the Credit Saison Group to take on new challenges and achieve new breakthroughs.

June 25, 2005

Hiroshi Rinno
President and CEO



Industry leadership is our goal. Intelligent alliances are driving the value creation that we need to achieve our objective — and that our partners need to achieve theirs.

Aim High

The Credit Saison Group is achieving further growth with the aim of being the strongest group in the industry and a winner in the twenty-first century.

Taking Up the Challenge of Industry Market Share Leadership

Credit Saison has always promoted strategic alliances with the objective of issuing new cards and stimulating card use. Since 2002, we have been promoting comprehensive alliances, which are an innovation in Japan's credit card industry. Comprehensive alliances extend beyond the simple issuance of affinity cards. They also involve providing capital, human resources and know-how, and are therefore clearly differentiated from the alliances other companies form. As such, they completely overturn the conventional wisdom of forming alliances with the sole objective of expanding bases for issuing credit cards. Credit Saison has begun taking the first steps toward generating further growth by building strong partnerships in comprehensive alliances with LAWSON, INC.; Idemitsu Kosan Co., Ltd.; Resona Holdings, Inc.; Takashimaya Company, Limited; and Mizuho Financial Group, Inc.

The alliance with the Mizuho Financial Group is particularly meaningful. Our strength at generating new cardholders, marketing capabilities and powerful brand has enabled us to establish a partnership with the Mizuho Financial Group rather than a subsidiary relationship within this megabank's group of companies. As a result, Credit Saison has built the foundation for taking the initiative as the credit card industry restructures in the future.

As a result of our alliances, the Credit Saison Group's share of transaction volume in the credit card market leads the industry at about 16 percent, when including alliances in which we have a capital relationship. And we're aiming higher in the future — our target is a 30 percent industry share over the long term.

Comprehensive alliances in the credit card business

Working toward Top Industry Share

The objective of the alliance with the Mizuho Financial Group is not issuing cards for Mizuho Bank, Ltd. to generate large increases in cardholders. Instead, we are working to expand the number of cardholders by integrating the SAISON CARD and the UC Card while making customer service even better. Specifically, in April 2005 we began issuing the "Mizuho Mileage Club Card SAISON," which functions as a Mizuho Bank ATM card and a credit card with no annual fee. Looking forward, we intend to energize the bank channel in the credit card business, and plan to issue 3 million of these cards over three years.

Another pillar of this alliance is the integration with and restructuring of UC CARD Co., Ltd. to achieve unprecedented dynamic business development. Credit Saison plans to integrate its issuance operations with those of UC CARD in the present period, with the aim of making Credit Saison the number-one issuer in the industry. We will handle the SAISON CARD and the UC Card, and plan to make maximum use of their brand value in the retail and banking fields in order to execute sales development that is far superior to that of other companies. Moreover, the collaboration with Credit Saison will make the restructured UC CARD the industry's strongest processing company, as a specialist in its areas of strength in member store administration and processing operations. The new company will construct a new business model that can offer processing services to a wide range of credit card companies, and also plans to build a next-generation joint system that will be a shared infrastructure available for use by numerous credit card companies.

Do More

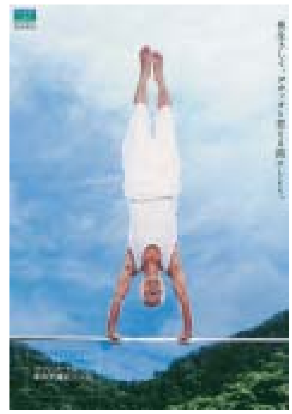
We refuse to sit still. We refuse to become complacent. We will never stop innovating to delight our customers. This drive has made us a leader.

Customer Service Created from New Ideas

We believe that earning customer trust and support is the source of growth. Our service is founded on five core concepts: no annual fees; SAISON Permanent Points (*"Eikyufumetsu Point"*); preferred services linked to affiliated corporation clients; added responsiveness from the start of operations of the new Ubiquitous credit center; and allowing customers to set their own credit limits. Each of these is a service developed from the perspective of customers using original Credit Saison ideas.

Among these five core concepts, SAISON Permanent Points, which never expire, represent a total break with conventional wisdom. This point program has generated enthusiastic customer support because customers can collect bonus points indefinitely and use as many of them as they want, whenever they want. It therefore attracts new cardholders and energizes card use. It also makes collecting and using points fun. The program offers more than 300 items, ranging from those that require the exchange of only 200 points to dream items such as a trip to Hawaii on a private jet, a trip around the world, and the reservation of a movie theater exclusively for two people.

Credit Saison has also introduced a new service that allows customers to set their own shopping credit limits. Only Credit Saison could make this bold new service a reality, and it has captured attention both inside and outside the credit card industry. Looking forward, we will continue to overturn conventional industry wisdom in working to develop products and services that truly satisfy customers.



The poster "The Giant Swing" ranked No.1 in the survey of awareness of commercial messages released in August 2004.

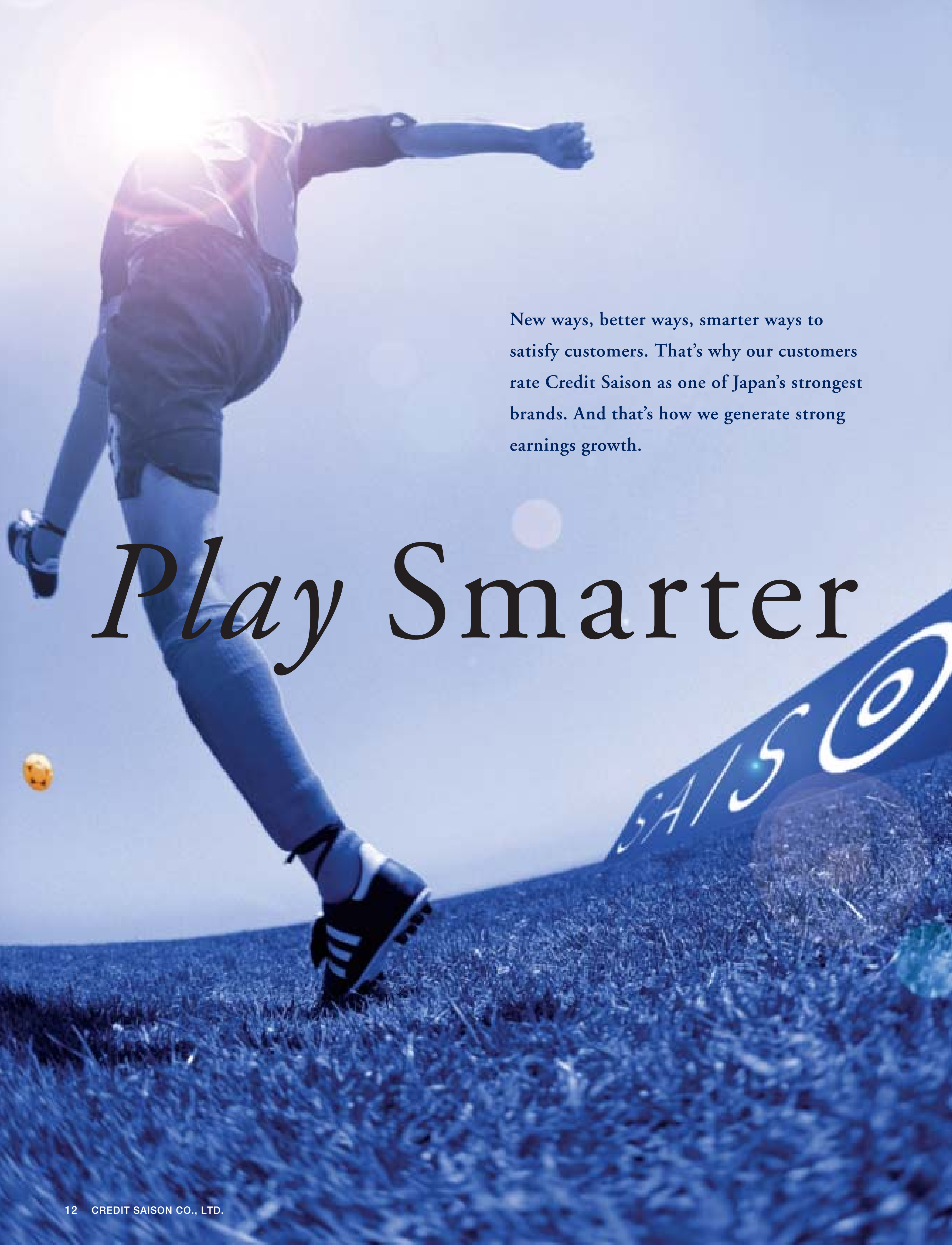
Providing appealing services requires keeping pace with rapidly changing customer sensibilities. Credit Saison is aggressive in offering products and services that other companies cannot match.

Efforts to Stimulate Card Usage

On a non-consolidated basis, card shopping transaction volume for fiscal 2004 increased 8.7 percent year-on-year to ¥2,078.1 billion due to the increase in active cardholders and greater card use overseas and for transactions such as paying mobile phone, gas, electric and other utility bills. The range of transactions where cards can be used is expanding every year, and now includes hospital bills and relatively small payments in the food sections of department stores and for electronic toll collection on highways. These types of transactions also build up SAISON Permanent Points, and that's a key factor in making the SAISON CARD our customers' main card.

Expansion of Credit Card Usage

- **Utilities**
  (Tokyo Gas, Kansai Electric Power, Chugoku Electric Power, CHUBU Electric Power, Tokyo Electric Power, and others)
- **Life Insurance**
  (AIG Edison Life Insurance)
- **General Insurance**
  (Saison Automobile and Fire Insurance, Sompo Japan Insurance, Tokio Marine Nichido Fire Insurance, and others)
- **Mobile phones**
  (DoCoMo, au, Vodafone, TU-KA Cellular, and others)
- **Contracts with ISPs**
  (Yahoo!, DION, POWERDCOM, So-net, OCN)
- **Subscriptions**
  (Nihon Keizai Shimbun, The Yomiuri Shimbun, The Sankei Shimbun, The Asahi Shimbun, The Mainichi Shimbun)
- **Hospitals**
  (National hospitals, 150 clinics, St. Luke's International Hospital and others)
- **ETC (Electronic Toll Collection) payments**



New ways, better ways, smarter ways to satisfy customers. That's why our customers rate Credit Saison as one of Japan's strongest brands. And that's how we generate strong earnings growth.

Play Smarter

Target: Raise Customer and Employee Satisfaction

Credit Saison has consolidated the functions of five centers into one in creating the Ubiquitous credit center. It started operations in April 2005 and provides a single source for all customer credit cycle functions: application and registration, credit screening, billing, response to customer inquiries and collection.

Ubiquitous embodies the concept of raising customer and employee satisfaction. We believe that dissatisfied employees cannot provide the information and services that raise customer satisfaction, so Ubiquitous provides employees with the optimal working environment. Staff members can get away from work at the on-site cafe, or improve themselves in the Education Room. These and other features make Ubiquitous a pleasant place to work for women, who make up a majority of its staff.

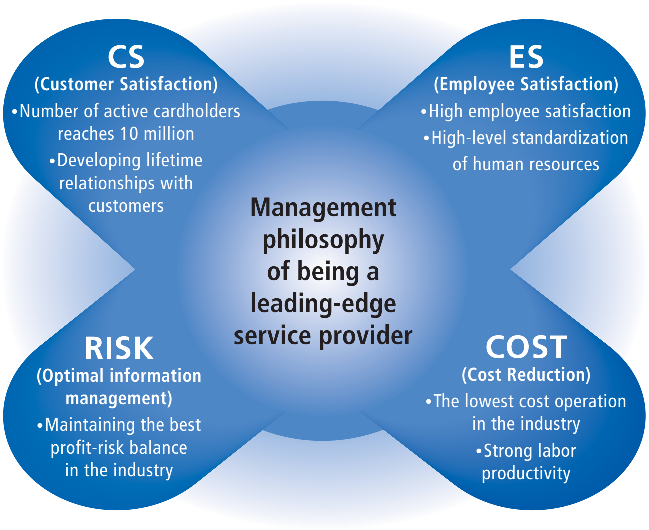
Ubiquitous strengthens communication with our approximately 9 million active cardholders. It allows more detailed analysis of customer information such as usage and inquiry history, and improves not only inbound information initiated by customers, but also outbound communication in which Credit Saison contacts customers. It also consolidates the analysis systems of the former five centers into a new communication system, creating a single source for customer response and the ability to share customer response records.

Thus, Ubiquitous consolidates credit center functions to raise operating efficiency. We project that it will achieve significant cost reductions.

"Ubiquitous" is a new credit center that provides a balance between robust security and ease of use.

Ubiquitous is one of the finest credit centers in the industry. It integrates hard assets such as operational infrastructure and soft assets such as the strengths of our people to create customer satisfaction. This maintains and expands our base of loyal customers.

Concept of the new credit center "Ubiquitous"

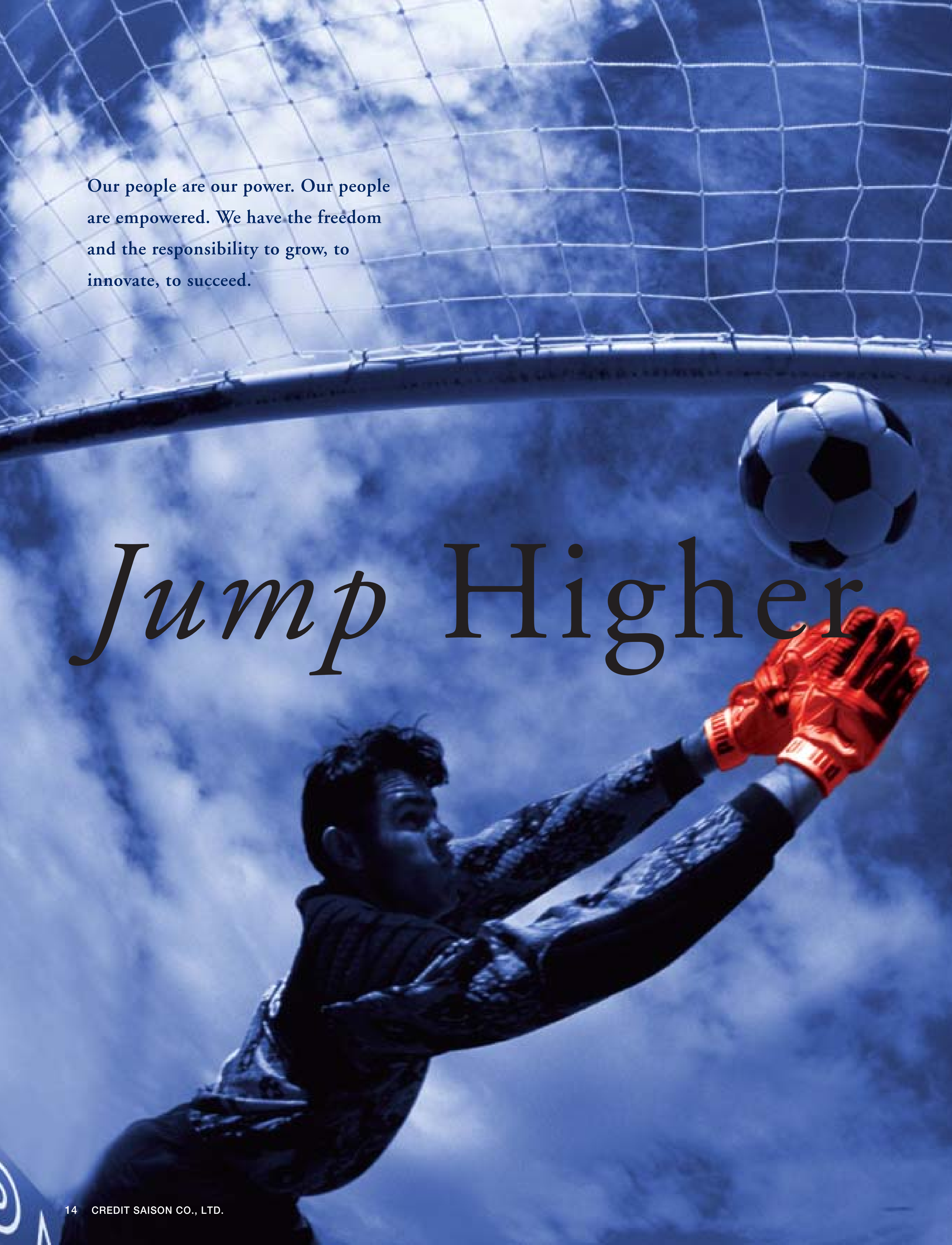


Reliable Security Systems

Against the backdrop of society's increasing use of information technology (IT), we are ensuring that customers can rely on our credit cards by placing the highest priority on safety and reliability in systems operation. At Ubiquitous, Credit Saison protects its customers' personal information with the most advanced IT security systems. In addition, the configuration, use and workflow for the entire facility are divided into clearly defined zones, each with the systems most suited to its operations. This allows us to achieve a balance between robust security and ease of use.

Our people are our power. Our people are empowered. We have the freedom and the responsibility to grow, to innovate, to succeed.

Jump Higher



Credit Saison aims for innovative, twenty-first century management.

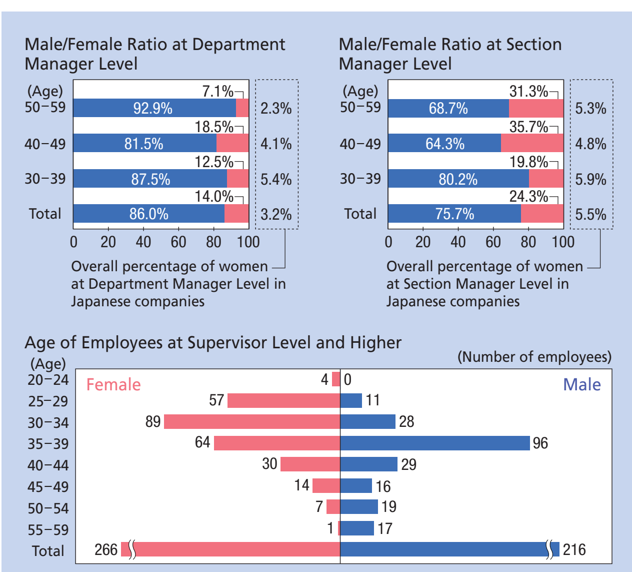
Personnel System Innovations

Based on a corporate culture that embraces creativity and innovation, Credit Saison has successively introduced personnel systems that emphasize employee capabilities and their deployment. Our corporate culture encourages employee development through friendly rivalry, creating an indispensable asset in prevailing against our competitors. We believe this is the force driving Credit Saison forward.

Human resources are our greatest asset. We constantly innovate our personnel system, searching for the best way to train our employees and bring out their capabilities. We employ systems such as the Job Entry System of internal recruiting and the Job Competition System that allows anyone who feels qualified to apply for positions at the section leader level and higher. Both encourage employees to embrace a spirit of challenge. Moreover, Credit Saison devotes energy to self-development programs. The C-BOARD System allows younger employees to engage in direct discussion with senior management, including the president and CEO, and to participate in resolving management issues, and the Dream Plan System encourages the proposal of ideas in areas such as new product development and new business planning. We will continue working to develop strongly professional personnel with "the spirit and knowledge" that will serve them even outside the company.

Employees' "spirit and knowledge" support our innovative management

Management Track Profile



(As of March 31, 2005)

Creating a True Meritocracy

Credit Saison's goal is an open, frank and innovative corporate culture, and our personnel evaluation system is part of our efforts to implement a dynamic meritocracy. Seniority and gender are irrelevant; achievement drives pay and benefits. Moreover, we have created mechanisms for job assignment and recruiting for contract employees.

Credit Saison also has a high ratio of women in middle-management positions. All of the Shop Masters, or managers, at SAISON Counters are women, and 30% of the women are contract employees.

Major Group Companies

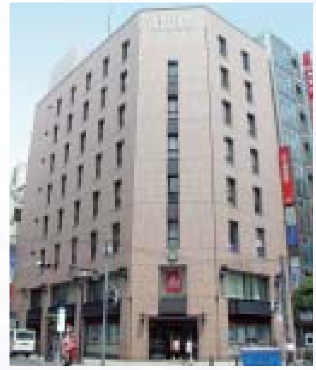
(As of March 31, 2005)

Saison Fundex Group

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

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

Atrium Group



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

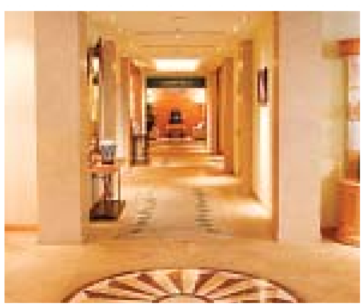
CREDIT SAI

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

OPERATION SEGMENTS
- ● Credit & Finance
- ● Entertainment
- ● Real Estate
- ● Other

Other Companies

●JPN Servicer Co., Ltd.
Servicer (loan collection agency): An expert in collecting small unsecured loans, the company provides effective business solutions by offering high-quality automation systems. The company has established commission contracts with more than 150 companies, and is actively expanding its business.



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

Equity Method Affiliates

●LAWSON CS Card, Inc.
Credit and financial services: The company began issuing "LAWSON PASS" in August 2002 using Lawson's sales network and Credit Saison's expertise in the credit card business. This point card, which also functions as a credit card, became the first in the convenience store industry to acquire over 2 million users since its launch three years ago.

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

Vivre Group

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

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

SON GROUP

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

●UC CARD Co., Ltd.
Credit and financial services: As a core credit card company in the Mizuho Financial Group, the company issues two major international credit cards, VISA and Master. It is in the process of establishing the industry's top credit card business group through a strategic business alliance with Credit Saison.

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

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

Corporate Governance

Credit Saison realizes the importance of strengthening supervisory functions to increase transparency in management and achieve business objectives. The Company is taking various measures aimed at enhancing corporate governance.

Organizational Details and Internal Control System

The Board of Directors consists of seventeen members who set basic policies for the Company's business execution and supervise directors' execution of their duties. Two directors are from outside Credit Saison.

Credit Saison applies the auditor system, with a Board of Auditors consisting of four auditors. Three of the four auditors are from outside Credit Saison. In accordance with the auditing policies decided by the Board of Auditors, each auditor conducts rigorous audits by attending meetings of the Board of Directors and other important meetings, listening to reports on business activities from directors and others, reviewing documents containing important decisions, and examining the condition of the Company's business operations and assets.

In addition, the internal Audit Office conducts audits of compliance, risk management, internal control systems, governance and other matters in the organizational operations and business activities of Credit Saison and its group companies, and makes evaluations and recommendations based on these audits.

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

Promotion of Highly Transparent Business

Credit Saison has internal rules for corporate governance in the four areas of compliance program, crisis management, personal information management, and insider trading management. As leakage of personal information has become an issue of public concern, Credit Saison has supplemented its information management rules by devising and implementing a privacy policy in March 2002 for the control of personal information.

In addition, approximately one-third of Credit Saison's employees have received the highest certification from the Japan Consumer Credit Industry Association for handling personal information. All employees fully recognize the importance of protecting personal information as managers and handlers of such information, and Credit Saison is working to increase their awareness and skills in this regard. Moreover, Credit Saison works to prevent leaks, unauthorized access and other problems in ways such as restricting access, managing passwords and using dedicated lines. These are part of efforts to strengthen security throughout the Company.

Promoting Compliance Awareness among Employees

Credit Saison has established the Compliance Committee to ensure legal compliance, fairness and ethical conduct in its corporate activities. Toshiharu Yamamoto, Senior Managing Director, serves as the committee chairman. The committee convenes several times each year, and its secretariat meets more than 20 times annually, to carry out initiatives such as drawing up a code of ethics and standards of conduct, and creating a unit to promote compliance. The committee also produces and distributes a compliance handbook for employees and contract employees.

A compliance consultation desk has been set up in the company, and inquiries are also accepted through telephone and fax hotlines, a company intranet, a special Internet address and postal mail. In addition, the General Affairs Division uses outside guest lecturers to conduct compliance training for executives, which include directors and division managers, as well as for general employees. Employees in charge of compliance are assigned to each division and conduct training programs at the division's initiative.

Board of Directors and Auditors

(As of June 30, 2005)

From left:

Teruyuki Maekawa*
Executive Vice President
General Manager of Management Division in charge of Public Relations Office and Audit Office and Mizuho UC Alliance Promotion Office

Hiroshi Rinno*
President and CEO

Atsushige Takahashi*
Senior Managing Director
General Manager of Business Division

From left:

Naoki Takahashi
Managing Director
In charge of Sales and Credit Card Division

Hidetoshi Suzuki
Managing Director
General Manager of Strategy Division

Kazuhusa Inada
Managing Director
General Manager of Credit Card Division

From right:

Terutaka Hasuda
Senior Managing Director
General Manager of Sales Division

Toshiharu Yamamoto
Senior Managing Director
General Manager of Credit Division

Hiromichi Sato
Managing Director
In charge of Lease Dept. and Credit Guarantee Dept.

From left:

Mitsusuke Yamamoto**
Director
Representative Director and Vice President of UC CARD Co., Ltd.

Akira Kuramitsu
Director
General Manager of Credit Planning Dept.

Kyosuke Togano
Director
General Manger of System Planning Dept. and in charge of Systems Promotion Dept. and General Manager of Mizuho UC Alliance Promotion Office

Hisayuki Kurata
Director
General Manager of Administration Division

From right:

Kenzo Tada
Director
General Manager of East-Japan Business Dept.

Yoshiro Yamamoto**
Director

Takayoshi Yamaji
Director
General Manager of West-Japan Business Dept.

Shinji Hojo
Director
In charge of Related Business Dept. and Finance & Accounting Dept.

From left:

Atsushi Toki**
Auditor

Toshio Sakai
Standing Statutory Auditor

From right:

Isamu Sato**
Standing Statutory Auditor

Junichi Yamamoto**
Standing Statutory Auditor

* Representative Director ** Outside director or auditor

Card Tie-Ups

Shopping

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

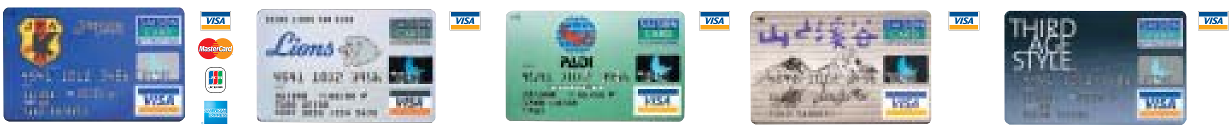
Takashimaya Company, Limited | Toys"R"Us-Japan, Ltd. | MARUI Co., Ltd. | Mitsui Fudosan Co., Ltd. | BALS Corporation

LaOX Co., Ltd. | Mitsukoshi, Ltd. | Kokudo Co., Ltd. | Kagoshima Terminal Building Inc. | Meitetsu Department Store Co., Ltd. Kanazawa Meitetsu Marukoshi Department Store

L.L. Bean, Inc. | Senshukai General Service Co., Ltd. | POWER'S Co., Ltd. | YEBISU GARDEN PLACE Co., Ltd. | Katakura Industries Co., Ltd.

Travel & Entertainment

PRINCE HOTELS, INC. | Mori Kanko Trust Co., Ltd. | United Airlines, Inc. | NIPPON ANIMATION Co., Ltd. | TOHO Cinemas Ltd.



Japan Football Association | SEIBU LIONS, Inc. | PADI, Inc. | Yama-Kei Publishers Co., Ltd. | ThirdAgeStyle Corporation

N.S. SHOJI CO., LTD. | FEG INC. | RHSJ ENTERPRISES CO., LTD.

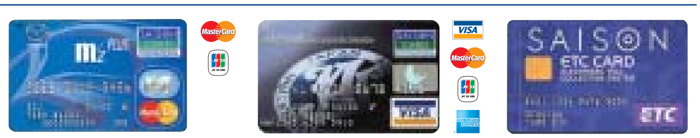
Financial Institutions

Mizuho Bank, Ltd. | JAPAN POST | Monex Beans, Inc. | The Shonai Bank, Ltd. | The Kyoto Shinkin Bank

Internet and Communications

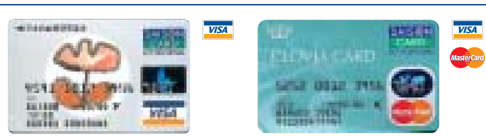
NTT DoCoMo, Inc. | eAccess Ltd. | NIFTY Corporation | WOWOW Inc.

Automotive



Mazda Motor Corporation | Japan Automobile Federation | Japan Highway Public Corporation

Social Contribution



Japan Leukaemia Research Fund | Tokyo Gas Energy Co., Ltd.

Processing Business

Resona Card Co., Ltd.

LAWSON CS Card, Inc. | Idemitsu Credit Co., Ltd.

Financial Section

CONTENTS

Management's Discussion and Analysis

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)
	2005	2004	2003	2002	2001	2000	**2005**
CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	**¥ 240,385**	¥ 220,332	¥ 212,242	¥ 214,838	¥ 188,061	¥ 177,603	**$ 2,238,014**
Selling, general and administrative expenses	**172,024**	156,502	147,018	141,795	128,187	123,074	**1,601,565**
Financial cost	**9,771**	9,825	12,810	13,370	15,747	14,918	**90,969**
Operating income	**58,590**	54,005	52,414	59,673	44,125	39,610	**545,480**
Net income (loss)	**31,818**	22,420	(6,027)	18,225	13,548	16,995	**296,234**
At year-end:							
Total shareholders' equity (Note 2)	**¥ 301,310**	¥ 258,253	¥ 236,028	¥ 242,594	¥ 225,947	¥ 212,933	**$ 2,805,228**
Total assets	**1,512,949**	1,352,710	1,280,823	1,256,899	1,719,109	1,769,690	**14,085,739**
Interest-bearing debt (Note 3)	**1,146,928**	1,011,563	965,082	885,270	833,076	876,708	**10,678,037**
Per share data (in yen and U.S. dollars) (Note 2)**:**							
Net income (loss) per share	**¥ 185.00**	¥ 130.55	¥ (36.57)	¥ 108.56	¥ 81.04	¥ 102.81	**$ 1.72**
Shareholders' equity per share	**1,721.35**	1,519.13	1,380.26	1,436.58	1,351.19	1,274.06	**16.03**
Key financial ratios (%):							
Return on shareholders' equity (ROE)	**11.4**	9.1	—	7.8	6.2	8.5	
Return on assets (ROA)	**2.2**	1.7	—	1.2	0.8	1.0	
Shareholders' equity ratio	**19.9**	19.1	18.4	19.3	13.1	12.0	
NON-CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	**¥ 190,248**	¥ 175,725	¥ 171,843	¥ 154,204	¥ 133,777	¥ 126,030	**$ 1,771,235**
Selling, general and administrative expenses	**135,403**	123,746	121,111	105,555	87,371	83,119	**1,260,618**
Financial cost	**8,186**	7,154	7,607	7,402	8,605	9,347	**76,215**
Operating income	**46,659**	44,825	43,124	41,248	37,800	33,563	**434,403**
Net income (loss)	**25,798**	24,396	(5,026)	12,286	16,522	14,275	**240,183**
At year-end:							
Total shareholders' equity (Note 2)	**¥ 298,502**	¥ 261,793	¥ 237,175	¥ 243,492	¥ 232,393	¥ 220,284	**$ 2,779,093**
Total assets	**1,290,067**	1,155,776	1,085,349	1,057,841	1,031,360	931,518	**12,010,676**
Interest-bearing debt (Note 3)	**948,561**	828,639	779,451	698,510	659,099	603,599	**8,831,213**
Per share data (in yen and U.S. dollars) (Note 2)**:**							
Net income (loss) per share	**¥ 149.78**	¥ 142.00	¥ (30.34)	¥ 72.50	¥ 97.49	¥ 85.21	**$ 1.39**
Shareholders' equity per share	**1,703.39**	1,536.51	1,383.04	1,436.80	1,371.30	1,299.85	**15.86**
Dividends per share	**20.00**	18.00	18.00	18.00	18.00	18.00	**0.19**
Key financial ratios (%):							
Return on shareholders' equity (ROE)	**9.2**	9.8	—	5.2	7.3	6.8	
Return on assets (ROA)	**2.1**	2.2	—	1.2	1.7	1.6	
Shareholders' equity ratio	**23.1**	22.7	21.9	23.0	22.5	23.6	
TRANSACTION VOLUME: NON-CONSOLIDATED							
Credit-card-related shopping services	**¥2,078,117**	¥1,912,211	¥1,808,625	¥1,629,199	¥1,420,243	¥1,278,719	**$19,347,515**
Shopping loans	**9,440**	13,368	17,370	19,267	20,771	24,256	**87,891**
Guarantees	**36,179**	31,684	53,434	56,317	14,646	25,628	**336,833**
Cash advances and specialty loans	**592,359**	555,984	600,447	555,132	500,645	414,660	**5,514,930**
Agency services	**576,270**	328,120	398,725	400,026	401,084	400,495	**5,365,145**
Leases	**82,999**	73,665	71,960	51,789	35,192	23,919	**772,728**
Merchandise sales	**—**	2,763	9,445	9,282	11,678	13,729	**—**
Others	**8,317**	6,605	9,789	9,427	8,914	8,331	**77,430**
Total volume of new contracts	**3,383,681**	2,924,399	2,969,794	2,730,438	2,413,174	2,189,740	**31,502,473**

Notes: 1. "Operating revenues" does not include consumption taxes.
2. Treasury stock is deducted from capital. In addition, treasury stock is subtracted from the total number of shares outstanding in computing per share data.
3. "Interest-bearing debt" includes asset-backed securities.
4. Japanese yen amounts have been translated into U.S. dollars at the rate of ¥107.41 = U.S.$1, the approximate exchange rate on March 31, 2005, for the convenience of the reader.

The Credit Saison Group generates operating revenues in five segments: Credit & Finance, Entertainment, Real Estate, Lease and Other. Credit & Finance is the largest of these segments. It consists primarily of the consumer credit businesses of credit cards and loans to individuals, and accounted for approximately 80 percent of operating revenues in fiscal 2004, the year ended March 31, 2005.

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

Changes in the Scope of Consolidation

The Credit Saison Group consisted of Credit Saison Co., Ltd. and 10 consolidated subsidiaries as of March 31, 2005. No subsidiaries were added or removed from the scope of consolidation during fiscal 2004. The Credit Saison Group had five affiliates accounted for using the equity method as of March 31, 2005, an increase of two from a year earlier. The additional equity method affiliates are Idemitsu Credit Co., Ltd. and UC CARD Co., Ltd. both of which are affiliates associated with strategic alliances. In addition, Health Park Co., Ltd. changed its name to Uraku Aoyama Co., Ltd. effective from August 1, 2004.

Analysis of Income Statements

During fiscal 2004, the United States, China and other countries supported a recovery in the global economy, which benefited exporters and other companies in Japan. Indicators such as improvement in employment conditions and consumer sentiment suggested recovery in Japan's economy.

Operating revenues increased 9.1 percent year-on-year to ¥240,385 million. Operating income increased 8.5 percent year-on-year to ¥58,590 million. Net income increased 41.9 percent year-on-year to ¥31,818 million.

Operating Revenues

For fiscal 2004, operating revenues increased 9.1 percent, or ¥20,053 million, year-on-year to ¥240,385 million. Expansion in operating revenues centered on the consumer credit businesses of credit cards and loans to individuals in the Credit & Finance segment. Operating revenues also increased in the Real Estate and Lease segments.

Total Operating Revenues (Millions of yen)

Operating Income and Expenses

Operating expenses increased 9.3 percent, or ¥15,468 million, compared with the previous fiscal year to ¥181,795 million. Primary factors included a 13.7 percent increase in advertising expenses to ¥24,699 million, as higher transaction volume increased expenses associated with SAISON Permanent Points ("*Eikyufumetsu Point*": a point program that allows customers to accumulate unlimited credit card points and exchange them at any time), and the Credit Saison Group launched a new television commercial, "The Giant Swing," that was favorably received. In addition, fees paid increased 16.3 percent year-on-year to ¥28,066 million because of expansion in credit card commissioned operations.

The cost of uncollectible receivables, which is included in selling, general and administrative (SG&A) expenses, increased 6.4 percent year-on-year. This increase reflected growth in credit card installment accounts receivable, which resulted in increases in the allowance for losses on accounts receivable and the allowance for losses on guarantees. However, the decrease in personal bankruptcies in Japan and the introduction of a new credit screening system strengthened initial lending and credit extension, which resulted in a substantial year-on-year decrease in losses on accounts receivable.

Breakdown of Selling, General and Administrative (SG&A) Expenses (Millions of yen / %)

Years ended March 31	2005	2004	% change
Cost of uncollectible receivables	¥ 43,861	¥ 41,207	6.4%
Included in above:			
Allowance for losses on accounts receivable	38,783	32,176	20.5
Losses on accounts receivable	3,825	8,096	(52.8)
Allowance for losses on guarantees	1,253	934	34.2
SG&A expenses excluding cost of uncollectible receivables	128,162	115,295	11.2
Included in above:			
Advertising expenses	24,699	21,726	13.7
Personnel expenses	32,853	31,563	4.1
Fees paid	28,066	24,123	16.3
Total SG&A expenses	¥172,024	¥156,502	9.9%

Financial cost decreased 0.5 percent year on year to ¥9,771 million. While the balance of interest-bearing debt increased, the Credit Saison Group worked to reduce funding costs.

As a result, operating income for fiscal 2004 increased 8.5 percent, or ¥4,585 million, compared to the previous fiscal year to ¥58,590 million.

Non-Operating Expenses and Net Income

Non-operating loss decreased to ¥4,168 million from ¥13,496 million for the previous fiscal year. Non-operating revenues increased by nearly four times to ¥7,398 million because the Credit Saison Group increased proceeds from sales of investment securities and recorded net gain on changes in equity interest due to an increase in value of equity interest. Non-operating expenses decreased 25.3 percent year-on-year to

¥11,566 million, due largely to a substantial decrease in impairment loss of property and equipment, other assets to ¥1,156 million from ¥7,570 million for the previous fiscal year. While impairment losses result from a number of unpredictable factors, Credit Saison believes that the process of implementing new impairment accounting standards begun in the previous fiscal year is largely complete, and expects impairment losses to decrease significantly as a factor influencing income.

As a result, income before income taxes increased 34.3 percent year-on-year to ¥54,422 million. Provision for income taxes increased to ¥21,825 million from ¥18,022 million for the previous fiscal year. Consequently, net income increased 41.9 percent year-on-year to ¥31,818 million. Net income per share increased to ¥185.00 from ¥130.55 for the previous fiscal year.

Shareholder Returns Policy

Dividend Policy

The Credit Saison Group considers strengthening its corporate structure and working to achieve sustainable growth in its businesses to be critical to increasing shareholder value. The Credit Saison Group's fundamental policy regarding distribution of profits is to secure sufficient internal capital resources for the above purposes while providing appropriate, stable and sustainable dividends to shareholders.

Dividends per Share

Based on the above dividend policy, Credit Saison Co., Ltd. increased cash dividends by ¥2.00 to ¥20.00 per share for fiscal 2004. Credit Saison's policy is to invest internal funds efficiently to achieve low-cost operations and promote continuous business expansion.

In addition, the Credit Saison Group gave complimentary SAISON Permanent Points to shareholders who are SAISON CARD cardholders in proportion to the number of shares held.

Review of Operations by Segment

Beginning with fiscal 2004, the Credit Saison Group has changed its segment reporting to present operating activities more accurately. The Credit Saison Group's segments are now Credit & Finance, Entertainment, Real Estate, Lease and Other. Figures for previous fiscal years have been restated in accordance with this change to permit year-on-year comparison.

Credit & Finance

This segment consists of the credit, lending and servicer (loan collection agency) businesses. Segment operating revenues increased 7.8 percent year-on-year to ¥196,221 million. Segment operating income increased 3.0 percent year-on-year to ¥48,201 million.

1. Credit Card Business

In the credit card industry, full-scale restructuring of the retail finance industry has become more pronounced, and the landscape of the credit card industry is changing significantly. Amid these conditions, consumer spending recovered and personal bankruptcies trended downward. At the same time, the use of credit cards to make payments expanded to areas such as utilities and medical bills. These and other factors created a favorable operating environment in the credit card industry.

Given this operating environment, the Credit Saison Group aggressively conducted sales activities. As a result, new credit card holders totaled 2.09 million, the number of cardholders increased 1.03 million to 16.90 million and the number of active cardholders increased 420 thousand to 8.83 million.

In addition, card shopping transaction volume increased 8.7 percent year-on-year to ¥2,078.1 billion. Cash advance transaction volume increased 4.3 percent year-on-year to ¥518.0 billion. The volume of shopping-related revolving credit contracts increased 6.9 percent year-on-year to ¥177.6 billion. The Credit Saison Group liquidated ¥40.0 billion of these contracts, resulting in a balance of revolving credit contracts receivable totaling ¥137.2 billion as of March 31, 2005. Cash advance and Cash Plus Loan receivables totaled ¥413.9 billion, an increase of 8.1 percent from a year earlier. The Credit Saison Group liquidated ¥30.0 billion of these contracts, resulting in a balance of cash advance and Cash Plus Loan receivables totaling ¥385.1 billion as of March 31, 2005.

Key Initiatives in the Credit Card Business during Fiscal 2004

Alliance Network Expansion and Acquisition of Cardholders

◆ **Promotion of Strategic Alliances**

Amid the ongoing restructuring of Japan's credit card industry, the Credit Saison Group has been strengthening its position as a leading company in the industry by promoting various alliances. The Credit Saison Group began issuing affinity cards for four

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

	Operating Revenues			Operating Income		
	2005	2004	% change	**2005**	2004	% change
Credit & Finance	**¥196,221**	¥182,005	7.8%	**¥48,201**	¥46,800	3.0%
Entertainment	**17,028**	15,632	8.9	**1,358**	1,331	2.0
Real Estate	**13,372**	10,961	22.0	**5,536**	4,229	30.9
Lease	**6,854**	5,610	22.2	**2,636**	1,930	36.6
Other	**8,359**	7,621	9.7	**4,404**	2,859	54.0
Total	**241,834**	221,829	9.0	**62,135**	57,149	8.7
Eliminations or corporate	**(1,449)**	(1,497)	—	**(3,545)**	(3,144)	—
Consolidated	**¥240,385**	¥220,332	9.1%	**¥58,590**	¥54,005	8.5%

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

new companies, bringing the total number of alliance partners to 77 companies.

- In September 2004, the Credit Saison Group began issuing affinity cards for Takashimaya Company, Limited, the leader of Japan's department store industry. Moreover, "Takashimaya Saison Counters" began operating at 19 Takashimaya department stores throughout Japan, which increased the number of counters in the Credit Saison Group's network to 173 (as of August 31, 2005).
- In December 2004, the Credit Saison Group concluded a comprehensive alliance with Mizuho Financial Group, Inc., Mizuho Bank, Ltd. and UC CARD Co., Ltd. In April 2005, the Credit Saison Group began issuing a card that functions as both an ATM card for Mizuho Bank, Ltd. and a SAISON CARD.

During fiscal 2005, the Credit Saison Group plans to integrate the card issuance operations of UC CARD, which should significantly expand the Credit Saison Group's number of cardholders and share of transaction volume.

Strengthening Our Business Foundation

◆ **Brand Awareness and Diffusion**

The Credit Saison Group worked to enhance awareness and diffusion of SAISON Permanent Points, which never expire, through a popular new television commercial "The Giant Swing," which was timed to coincide with the Athens Olympics and featured an elderly athlete performing on the horizontal bars. This initiative to acquire new cardholders and promote usage among existing cardholders gave added prominence to the message that cardholders can use the SAISON CARD for many years to come.

◆ **Measures to Stimulate Card Usage**

The Credit Saison Group moved to stimulate card use by expanding the use of credit cards to include transactions such as payment of gas, electricity and other utility bills, as well as medical expenses. In addition, the Credit Saison Group aggressively promoted customer use of credit cards for recurring monthly payments for utilities and cellular phone charges, and for relatively small payments such as in the food sections of department stores and for electronic toll collection on highways.

◆ **Building a System for Rapid Issuance**

The Credit Saison Group is responding to the needs of customers who want to receive and start using their SAISON CARD right away by building a system for rapidly issuing the SAISON CARD. In addition to accepting applications via the Internet, Credit Saison has established "SAISON STATION" information terminals that permit rapid application and issuance of cards at key SAISON Counters nationwide. Moreover, Credit Saison is expanding application channels such as "SAISON CARD MAKER" automated card issuing machines to enhance service by significantly increasing the variety of cards that can be issued rapidly.

◆ **Thorough Credit Administration**

Credit Saison has introduced the new HEART credit screening system covering initial lending and credit extension as part of a focus on continuously enhancing the soundness of receivables by strengthening management of receivables risk. At the same time, the delinquency ratio has begun trending downward, indicating Credit Saison's progress in responding to customer needs to the greatest possible extent by relentlessly working to administer credit in a manner that balances revenues and risk.

New Developments and Initiatives

◆ **Progress in the Processing Business**

In the commissioned processing business, Credit Saison began providing commissioned processing services for the "Idemitsu Card Mydo Plus" from April 2004, and also began providing commissioned processing services for the "Resona Card+S (Resona Card SAISON)" issued by Resona Card Co., Ltd. from October 2004.

◆ **Start of Securities Brokerage**

Credit Saison became a registered securities broker and began opening accounts on behalf of Monex, Inc. (currently Monex Beans Holdings, Inc.) over the Internet and at selected SAISON Counters, and also began selling Japanese government bonds.

2. Card Loan Business

The Credit Saison Group provides card loans through the C-Plan Card and Cash Reserve Card dedicated loan cards. The number of loan cards issued increased 9.3 percent year-on-year to 180 thousand, and the balance of card loans receivable increased 9.8 percent year-on-year to ¥60.1 billion.

3. Other Consumer Loans

In addition to card loans, Credit Saison provides a variety of unsecured consumer loans. These include the Member's Loan for SAISON CARD cardholders. Other consumer loans receivable increased 20.3 percent year-on-year to ¥60.4 billion.

4. Loans

Credit Saison entered the real estate mortgage loan business in September 2004. Using real estate evaluation capabilities, know-how related to real estate liquidation and a network acquired through the real estate distribution business, the Credit Saison Group has created a lineup of three products: loans for individuals, loans for businesses and non-recourse loans. The balance of loan receivables totaled ¥43.2 billion as of March 31, 2005.

5. Credit Guarantee Business

Credit Saison uses close relationships spanning sales and administration in its growing number of alliances with financial institutions to concentrate on acquiring quality contracts. Credit guarantee contract volume increased 14.2 percent year-on-year to ¥36.1 billion.

6. Servicer (Loan Collection Agency) Business

Licensed by the Minister of Justice, the Credit Saison Group provides commissioned collection services for a broad spectrum of debt receivables ranging from those in initial delinquency to those that have been written off. This business has been expanding steadily, and the Credit Saison Group has been working to raise the efficiency of loan collection operations in ways such as installing a new loan collection administration system to maintain a high collection rate.

Entertainment

This segment consists of the amusement business and other operations. In the amusement business, facilities have become increasingly large and upmarket, while the operating environment has become intensely competitive. Operating revenues and income increased as a result of emphasis on creating sound, stable and comfortable facilities that have the support of the regions in which they are located. Operating revenues rose 8.9 percent year-on-year to ¥17,028 million, and operating income increased 2.0 percent year-on-year to ¥1,358 million.

Real Estate

This segment consists of real estate distribution and property management. During fiscal 2004, the contribution of large-scale projects and solid performance in the special servicer business supported the real estate distribution business. In addition, the property management business remained stable. As a result, segment operating revenues increased 22.0 percent year-on-year to ¥13,372 million, segment operating income increased 30.9 percent year-on-year to ¥5,536 million.

1. Real Estate Distribution Business

The Credit Saison Group renovates real estate assets acquired at auction, and adds value to them in ways such as providing a five-year warranty against defects. We also specialize in the servicer business, which entails acquiring nonperforming loans collateralized by real estate and real estate that collateralized such loans, adding value to them and then selling them. The Credit Saison Group also focuses on building and marketing properties in central Tokyo, where the property turnover rate is high.

2. Property Management Business

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

Lease

The overall leasing market remained weak during fiscal 2004. However, amid the increasing popularity of mobile communications and broadband, Credit Saison emphasized small-ticket vendor leases, particularly in the steadily expanding communications and business equipment sectors. Lease transaction volume therefore increased 12.7 percent year-on-year to a record ¥82.9 billion. Segment operating revenues increased 22.2 percent year-on-year to ¥6,854 million, and segment operating income increased 36.6 percent year-on-year to ¥2,636 million.

Other

This segment consists of mail-order sales and other operations. In the mail-order sales business, the Credit Saison Group issued new catalogs eight times during the fiscal year and enhanced programs for promoting sales to SAISON CARD cardholders while also working to improve the profit structure of this business by reducing expenses. This business was not profitable, however, because of intense price competition. At the same time, systems development and other components of the commissioned administration business generated operating revenues. Segment operating revenues therefore increased 9.7 percent year-on-year to ¥8,359 million, and segment operating income increased 54.1 percent year-on-year to ¥4,404 million.

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

Liquidity and Financial Position

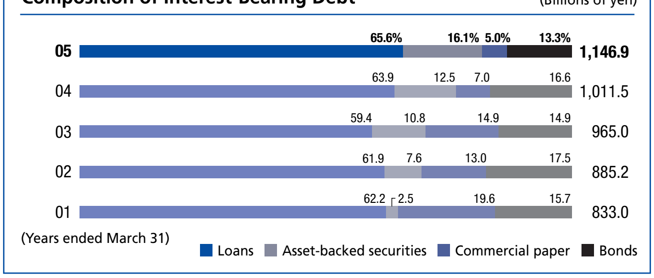
Fund Procurement and Liquidity Management

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

As of March 31, 2005, interest-bearing debt, including ¥120.0 billion in asset-backed securities accounted for as off-balance-sheet transactions, totaled ¥1,146.9 billion. Of this total, loans accounted for 65.6 percent, bonds accounted for 16.1 percent, CP accounted for 5.0 percent, and asset-backed securities accounted for 13.3 percent.

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

Composition of Interest-Bearing Debt



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

Receivables, primarily associated with the credit card business, account for 68.5 percent of the Credit Saison Group's assets. With an average annual receivables turnover rate of 3 times, the Credit Saison Group maintains a high level of liquidity.

Cash Flow

As of March 31, 2005, cash and cash equivalents decreased ¥19,113 million from a year earlier to ¥54,308 million. The Credit Saison Group continued to enhance internal capital resources, which it used to fund the growth opportunities presented by major strategic alliances.

Net Cash Used in Operating Activities

Net cash used in operating activities totaled ¥24,714 million. In the previous fiscal year, operating activities provided net cash totaling ¥55,046 million. Favorable business conditions resulted in income before income taxes of ¥54,422 million. Depreciation and amortization, a non-cash item, totaled ¥43,272 million, while proceeds from the liquidation of card shopping receivables, which are trade receivables, provided cash of ¥30,000 million. However, trade receivables increased ¥146,655 million due to growth in transaction volume in the credit card business.

Net Cash Used in Investing Activities

Net cash used in investing activities increased 65.4 percent year-on-year to ¥113,648 million. Payments for purchases of property and equipment and other assets used cash totaling ¥91,698 million for reasons including the acquisition of lease assets. In addition, net payments for purchases of investment securities totaled ¥24,592 million as the Credit Saison Group used cash to acquire shares in UC CARD Co., Ltd. and other investment securities.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was ¥119,261 million. As a result of the Credit Saison Group's emphasis on stable medium- and long-term fund raising, proceeds from long-term debts totaled ¥117,020 million, and proceeds from issuance of bonds totaled ¥43,968 million. Repayment of long-term debts used cash of ¥23,817 million, and repayment of bonds used cash totaling ¥20,462 million.

Assets, Liabilities and Shareholders' Equity

As of March 31, 2005, total assets increased ¥160,239 million, or 11.8 percent, from a year earlier to ¥1,512,949 million.

Current assets increased ¥114,252 million, or 11.0 percent, from a year earlier to ¥1,154,527 million, primarily due to an increase in trade receivables resulting from the increase in credit card transaction volume. The Credit Saison Group liquidated ¥50.0 billion in card shopping single-payment receivables, ¥40.0 billion in revolving credit receivables and ¥30.0 billion in cash advance receivables, which moved them off the balance sheet.

Property and equipment increased ¥23,026 million, or 14.2 percent, from a year earlier to ¥185,737 million. A primary factor was an increase of ¥17,946 million in lease assets compared to the previous fiscal year-end.

Investments and other assets increased ¥22,961 million, or 15.3 percent, from a year earlier to ¥172,685 million. The primary factor was an increase of ¥30,143 million in investment securities resulting from investment in shares of UC CARD Co., Ltd. as a result of the strategic alliance.

As of March 31, 2005, total liabilities increased ¥113,689 million, or 10.4 percent, from a year earlier to ¥1,207,715 million.

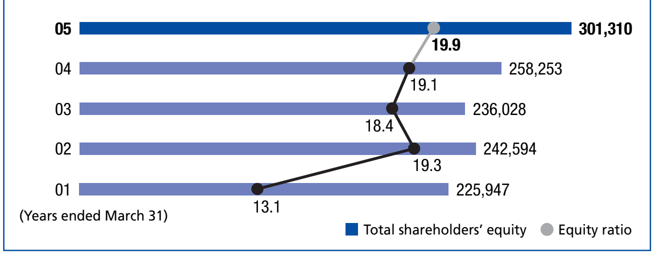
Current liabilities increased ¥53,311 million, or 8.1 percent, from a year earlier to ¥710,722 million. A primary factor was the increase in the current portion of long-term debt scheduled to be repaid within one year.

Long-term liabilities increased ¥60,378 million, or 13.8 percent, from a year earlier to ¥496,993 million. Long-term debt increased ¥60,472 million, or 14.4 percent, from a year earlier to ¥481,098 million.

As a result, interest-bearing debt on the balance sheet increased ¥105,365 million, or 11.4 percent, from a year earlier to ¥1,026,928 million. Including ¥120.0 billion in asset-backed securities accounted for as off-balance-sheet transactions, interest-bearing debt totaled ¥1,146,928 million.

Shareholders' equity increased ¥43,057 million, or 16.7 percent, from a year earlier to ¥301,310 million. The ratio of shareholders' equity to total assets increased to 19.9 percent from 19.1 percent a year earlier. Return on average total shareholders' equity (ROE) increased to 11.4 percent from 9.1 percent a year earlier.

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



Credit Risk

Receivables (the balance of installment accounts receivable plus the balance of contingent liabilities related to the credit and finance businesses and leasing receivables due before the balance sheet date) overdue by more than 90 days increased 24.7 percent compared to a year earlier to ¥41,495 million. The allowance for losses on receivables increased 19.9 percent from a year earlier to ¥41,484 million. Consequently, the ratio of allowance for losses on receivables to receivables overdue by more than 90 days (excluding the collateralized portion) included in current assets was 121.9 percent, compared to 111.5 percent at the previous fiscal year-end.

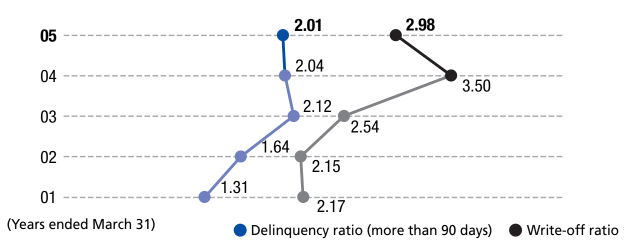
Comparison of Overdue Receivables and Allowance for Losses on Receivables to Receivables (Millions of yen / %)

As of March 31	2005	2004	% change
(1) Receivables	**¥1,413,266**	¥1,249,508	13.1%
(2) Receivables overdue by more than 90 days	**41,495**	33,277	24.7
(3) Collateralized portion included in (2)	**7,476**	2,237	234.2
(4) Allowance for losses on receivables included in current assets	**41,484**	34,613	19.9
(5) Receivables overdue by more than 90 days as a percentage of receivables [(2) ÷ (1)]	**2.9%**	2.7%	—
Ratio of allowance of losses on receivables to receivables overdue by more than 90 days [(4) ÷ ((2) – (3))]	**121.9%**	111.5%	—
(Reference) Receivables overdue by more than 90 days excluding collateralized portion as a percentage of receivables [((2) – (3)) ÷ (1)]	**2.4%**	2.5%	—

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

As of March 31	2005	2004	% change
Allowance for losses on receivables at the beginning of the year	**¥39,246**	¥35,677	10.0%
Increase	**39,870**	33,478	19.1
Decrease (Reversal)	**32,147**	29,909	7.5
Allowance for losses on receivables at the end of the year	**46,969**	39,246	19.7
(Reference) Losses on receivables	**3,825**	8,096	(52.8)

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



Pension System

Credit Saison Co., Ltd. and some of its consolidated subsidiaries have defined-benefit plans composed of a corporate pension fund plan and a lump-sum payment plan, and formerly subscribed to the Palette Corporate Pension Fund. As of June 1, 2004, Credit Saison Co., Ltd. and its consolidated subsidiaries terminated their relationship with Palette and established Credit Saison Group Corporate Pension Fund.

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

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, 2005.

1. Operating Conditions

Results and financial position in the Credit Saison Group's primary Credit and Finance business are subject to the influence of domestic economic conditions. Factors contingent upon economic conditions, including worsening of the employment environment, disposable household income or consumer spending, affect or may affect transaction volume and repayment in Group businesses including credit cards, loans, credit guarantees, and real estate mortgage loans, and therefore have the potential to negatively impact Group operating revenues and cost of uncollectible receivables. Recently, an increasing number of individuals have assumed substantial loan and credit card obligations from multiple financial institutions. This problematic economic situation also has the potential to affect Group results.

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

2. Changes in Cost of Funds

Changes in financial conditions and reduction in the Credit Saison Group's credit rating may increase interest rates on funds the Group procures and have the potential to negatively impact operating revenues and other results as well as financial position. Changes in interest rates on loans and other instruments are impacted by a wide array of considerations. These include the maximum interest rates and fees as prescribed by the Law Concerning the Regulation of Receiving of Capital Subscription, Deposits and Interest on Deposits (the Capital Subscription Law) and other regulations, which may mandate that the Credit Saison Group operate below the maximum allowable limits; changes in the terms of customer contracts; and interest rates applicable to other companies in the consumer credit business. The Credit Saison Group may be unable to price its products and services to reflect higher interest rates on the capital it procures, which would have the potential to reduce the Group's interest margin.

3. Competitive Environment

Japan's financial system has undergone substantial deregulation in recent years, which has encouraged restructuring of the retail financial services industry. Large mergers in the credit card industry and other events have caused competition to intensify. The results and financial position of the Credit Saison Group may be negatively impacted if the Group is unable to maintain its competitive position in this environment.

4. Unfavorable Performance among Primary Alliance Partners

In the credit card business, the Credit Saison Group has agreements including affinity card issuance and member store contracts with numerous companies and organizations. Unfavorable performance among these alliance partners has the potential to negatively impact the Credit Saison Group's performance and financial position. For example, the Credit Saison Group acquires approximately 70 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, incidents such as leakage or illegal use of this information 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. 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.

Recently, regulatory changes have had a material impact on the Credit Saison Group's performance. Issues include, but are not limited to, amendments to the Civil Rehabilitation Law, the Practicing Attorney Law and the Judicial Scrivener Law as well as changes in small-claims receivership proceedings resulting from revisions to bankruptcy proceedings. Amendments to related statutes and proceedings have increased the options available for restructuring debt, and are directly related to increased losses on receivables in the credit and financial industries. In addition, there has been an increase in the number of cases in which debtors paying a rate of interest in excess of the upper limit specified by the Interest Rate Restriction Law file claims seeking recovery of excessive profit from lenders. While this trend has not had a material impact on the operations of the Credit Saison Group, increased ease of access to legal recourse may exert a material impact in the future. A related phenomenon is the increasing number of attorneys that is resulting from reform of the legal system, and this may have a material impact of the Credit Saison Group's performance in the future.

8. Impairment Loss of Property and Equipment and Evaluation Losses

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

9. Retirement Benefit Obligations

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

Outlook for the Year Ending March 31, 2006

The Credit Saison Group is working to increase the services it provides to support various customer lifestyles, and is stimulating customer card use by energetically promoting innovation based on a thorough commitment to customer satisfaction. The Group is also developing strategies for adapting to market changes in working to increase corporate and shareholder value.

Based on the above, the Credit Saison Group's consolidated performance objectives for the year ending March 31, 2006 are operating revenues of ¥252.0 billion, operating income of ¥60.0 billion and net income of ¥34.0 billion. Credit Saison Co. Ltd.'s non-consolidated performance objectives for the year ending March 31, 2006 are operating revenues of ¥203.0 billion, operating income of ¥49.0 billion and net income of ¥30.0 billion.

Consolidated Balance Sheets

CREDIT SAISON CO., LTD. and Consolidated Subsidiaries
As of March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
ASSETS			
Current Assets:			
Cash and deposits	¥ 54,308	¥ 73,421	$ 505,612
Receivables:			
Notes and installment accounts receivable (Note 4)	1,038,116	922,262	9,664,988
Short-term loans	15,126	10,519	140,820
Less: Allowance for losses on receivables	(41,484)	(34,613)	(386,219)
	1,011,758	898,168	9,419,589
Inventories	54,175	37,765	504,380
Deferred income taxes (Note 10)	17,902	15,613	166,672
Prepaid expenses and other current assets	16,384	15,308	152,534
Total current assets	1,154,527	1,040,275	10,748,787
Property and Equipment, at Cost:			
Equipment for lease (Note 7)	232,246	199,361	2,162,240
Buildings and improvements	36,667	33,767	341,377
Fixtures and equipment	27,271	25,896	253,896
	296,184	259,024	2,757,513
Less: Accumulated depreciation	(116,823)	(103,344)	(1,087,637)
	179,361	155,680	1,669,876
Land	6,376	7,031	59,359
Total property and equipment	185,737	162,711	1,729,235
Investments and Other Assets:			
Investment securities (Note 8)	98,612	68,469	918,092
Long-term loans	29,324	36,987	273,010
Lease deposits	8,606	8,915	80,124
Deferred income taxes (Note 10)	5,223	7,808	48,630
Other	36,406	32,179	338,937
Less: Allowance for losses on receivables	(5,486)	(4,634)	(51,076)
Total investments and other assets	172,685	149,724	1,607,717
Total assets	¥1,512,949	¥1,352,710	$14,085,739

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	**2005**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term loans (Note 6)	**¥ 389,526**	¥ 377,293	**$ 3,626,534**
Current portion of long-term debt (Note 6)	**99,304**	52,644	**924,534**
Commercial paper	**57,000**	71,000	**530,677**
Notes and accounts payable	**102,511**	94,228	**954,388**
Accrued taxes on income	**13,213**	23,530	**123,016**
Unearned income	**3,388**	3,446	**31,545**
Allowance for bonuses	**1,740**	1,734	**16,202**
Accrued expenses and other current liabilities	**44,040**	33,536	**410,014**
Total current liabilities	**710,722**	657,411	**6,616,910**
Long-Term Liabilities:			
Long-term debt (Note 6)	**481,098**	420,626	**4,479,078**
Accrued pension and severance costs (Note 9)	**7,121**	7,399	**66,301**
Accrued retirement benefits to directors and statutory auditors	**796**	645	**7,413**
Allowance for losses on guarantees	**1,253**	934	**11,666**
Allowance for losses on warranty of defects	**59**	33	**549**
Consolidated reconciliation	**488**	746	**4,542**
Other	**6,178**	6,232	**57,517**
Total long-term liabilities	**496,993**	436,615	**4,627,066**
Minority Interests in Consolidated Subsidiaries	**3,924**	431	**36,535**
Commitments and Contingent Liabilities (Note 14)			
Shareholders' Equity:			
Common stock	**69,526**	63,668	**647,298**
Additional paid-in capital	**73,148**	67,134	**681,018**
Retained earnings	**155,101**	126,719	**1,444,009**
Unrealized gains (losses) on other securities	**7,264**	4,686	**67,625**
	305,039	262,207	**2,839,950**
Less: Treasury stock, at cost	**(3,729)**	(3,954)	**(34,722)**
Total shareholders' equity	**301,310**	258,253	**2,805,228**
Total liabilities and shareholders' equity	**¥1,512,949**	¥1,352,710	**$14,085,739**

Consolidated Statements of Income

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	2005
Operating Revenues (Note 12):			
Financing and administration fees	**¥183,618**	¥174,963	**$1,709,507**
Income from entertainment business	**16,990**	15,605	**158,175**
Income from real estate business	**12,632**	10,180	**117,604**
Income from lease business	**6,803**	5,526	**63,338**
Other income	**8,083**	7,487	**75,262**
Financial income	**12,259**	6,571	**114,128**
Total operating revenues	**240,385**	220,332	**2,238,014**
Operating Expenses:			
Selling, general and administrative expenses	**172,024**	156,502	**1,601,565**
Financial cost	**9,771**	9,825	**90,969**
Total operating expenses	**181,795**	166,327	**1,692,534**
Operating Income	**58,590**	54,005	**545,480**
Non-Operating Revenues:			
Net gain on changes in equity interest	**2,371**	—	**22,075**
Other	**5,027**	1,992	**46,797**
Total non-operating revenues	**7,398**	1,992	**68,872**
Non-Operating Expenses:			
Loss on evaluation of investment securities	**4,783**	999	**44,530**
Impairment loss of property and equipment, other assets (Note 11)	**1,156**	7,570	**10,761**
Equity in losses of affiliated companies	**1,840**	1,069	**17,131**
Other	**3,787**	5,850	**35,257**
Total non-operating expenses	**11,566**	15,488	**107,679**
Non-Operating Income (Loss)	**(4,168)**	(13,496)	**(38,807)**
Income before Income Taxes	**54,422**	40,509	**506,673**
Provision for income taxes (Note 10)	**(21,825)**	(18,022)	**(203,192)**
Income before Minority Interests	**32,597**	22,487	**303,481**
Minority interest in income (loss) of consolidated subsidiaries	**779**	67	**7,247**
Net Income	**¥ 31,818**	¥ 22,420	**$ 296,234**

	Yen		U.S. dollars (Note 2)
	2005	2004	2005
Per Share Data			
Net assets	**¥1,721.35**	¥1,519.13	**$16.03**
Net income, primary	**185.00**	130.55	**1.72**
Net income, fully diluted	**180.21**	127.79	**1.68**
Dividends	**20.00**	18.00	**0.19**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

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

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

	Number of shares of common stock issued (thousands)	Thousands of U.S. dollars (Note 2)				
		Common stock	Additional paid-in capital	Retained earnings	Unrealized gains (losses) on other securities	Treasury stock
Balance at March 31, 2004	171,725	$592,754	$625,024	$1,179,771	$43,627	$(36,806)
Net income for the year ended March 31, 2005	**—**	**—**	**—**	**296,234**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**(28,471)**	**—**	**—**
Directors' and statutory auditors' bonuses	**—**	**—**	**—**	**(1,597)**	**—**	**—**
Decrease resulting from inclusion of affiliated companies in the scope of consolidation	**—**	**—**	**—**	**(1,928)**	**—**	**—**
Gain on sale of treasury stock	**—**	**—**	**1,487**	**—**	**—**	**—**
Conversion of convertible bonds	**3,238**	**31,589**	**31,552**	**—**	**—**	**—**
Execution of stock option	**1,656**	**22,955**	**22,955**	**—**	**—**	**—**
Accumulated changes in fair value	**—**	**—**	**—**	**—**	**23,998**	**—**
Net decrease in treasury stock	**—**	**—**	**—**	**—**	**—**	**2,084**
Balance at March 31, 2005	**176,619**	**$647,298**	**$681,018**	**$1,444,009**	**$67,625**	**$(34,722)**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2005	2004	**2005**
Cash Flows from Operating Activities:			
Income before income taxes	**¥ 54,422**	¥ 40,509	**$ 506,673**
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization	**43,272**	37,501	**402,863**
Increase (decrease) in allowance for losses on accounts receivable	**7,723**	3,510	**71,902**
Increase (decrease) in accrued pension and severance costs	**(277)**	929	**(2,582)**
Increase (decrease) in allowance for other reserves	**503**	43	**4,688**
Interest and dividends receivable	**(10,778)**	(5,978)	**(100,342)**
Interest expenses	**10,448**	9,892	**97,269**
Equity in (earnings) losses of affiliated companies	**1,840**	1,069	**17,131**
Foreign currency exchange (gain) loss	**(135)**	(22)	**(1,255)**
Realized (gain) loss on investment securities	**(725)**	92	**(6,752)**
(Gain) loss on evaluation of investment securities	**4,783**	999	**44,530**
Net (gain) loss on changes in equity interest	**(2,371)**	—	**(22,075)**
Impairment loss of property and equipment, other assets	**1,156**	7,570	**10,761**
Loss on disposal of property and equipment, other assets	**17,513**	13,920	**163,049**
Changes in operating assets and liabilities:			
(Increase) decrease in trade receivables	**(146,655)**	(88,980)	**(1,365,371)**
Proceeds from liquidation of trade receivables	**30,000**	30,000	**279,304**
(Increase) decrease in inventories	**(16,397)**	(6,065)	**(152,660)**
(Increase) decrease in other assets	**(762)**	10,945	**(7,097)**
Increase (decrease) in payables	**8,323**	(2,305)	**77,489**
Increase (decrease) in other liabilities	**7,414**	6,738	**69,026**
Directors' and statutory auditors' bonuses	**(174)**	(163)	**(1,616)**
Subtotal	**9,123**	60,204	**84,935**
Interest and dividends received	**10,545**	5,962	**98,171**
Interest paid	**(10,091)**	(10,026)	**(93,948)**
Income taxes paid	**(34,291)**	(1,094)	**(319,253)**
Net Cash Provided by (Used in) Operating Activities	**(24,714)**	55,046	**(230,095)**
Cash Flows from Investing Activities:			
Payments for purchases of investment securities	**(29,504)**	(7,965)	**(274,685)**
Proceeds from sales or redemption of investment securities	**4,912**	22,618	**45,732**
Payments for purchases of property and equipment, other assets	**(91,698)**	(74,047)	**(853,722)**
Proceeds from sales of property and equipment, other assets	**1,467**	1,937	**13,662**
Payments for short-term and long-term loans	**(4,701)**	(9,761)	**(43,766)**
Proceeds from short-term and long-term loans	**7,757**	679	**72,222**
(Increase) decrease in other assets	**(1,881)**	(2,164)	**(17,521)**
Net Cash Provided by (Used in) Investing Activities	**(113,648)**	(68,703)	**(1,058,078)**
Cash Flows from Financing Activities:			
Increase (decrease) in short-term debts	**12,402**	30,764	**115,460**
Increase (decrease) in commercial paper	**(14,000)**	(73,000)	**(130,342)**
Proceeds from long-term debts	**117,020**	68,795	**1,089,470**
Repayment of long-term debts	**(23,817)**	(26,059)	**(221,739)**
Proceeds from issuance of bonds	**43,968**	64,724	**409,356**
Repayment of bonds	**(20,462)**	(40,200)	**(190,504)**
Repayment of payables under securitized lease receivables	**(3,127)**	(8,217)	**(29,116)**
Proceeds from issuance of new stock	**4,931**	—	**45,911**
Proceeds from minority shareholders	**5,003**	62	**46,577**
Proceeds from sales of treasury stock	**428**	110	**3,983**
Purchases of treasury stock	**(22)**	(3,089)	**(208)**
Cash dividends paid	**(3,058)**	(3,076)	**(28,471)**
Cash dividends paid to minorities	**(5)**	—	**(44)**
Net Cash Provided by (Used in) Financing Activities	**119,261**	10,814	**1,110,333**
Translation Gain (Loss) on Cash and Cash Equivalents	**(12)**	(91)	**(110)**
Increase (Decrease) in Cash and Cash Equivalents	**(19,113)**	(2,934)	**(177,950)**
Cash and Cash Equivalents at the Beginning of Year	**73,421**	75,725	**683,562**
Increase in Cash and Cash Equivalents Resulting from Addition of Subsidiaries to the Scope of Consolidation	**—**	630	**—**
Cash and Cash Equivalents at the End of Year	**¥ 54,308**	¥ 73,421	**$ 505,612**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

CREDIT SAISON CO., LTD. and Consolidated Subsidiaries

1. BASIS OF PREPARATION OF FINANCIAL 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 (the "Companies") in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan and Financial Statement Regulations (ordinances promulgated by the Ministry of Finance), which are different from International Accounting Standards in certain respects as to application and disclosure requirements.

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

2. U.S. DOLLAR AMOUNTS

Japanese yen amounts have been translated into U.S. dollars at the rate of ¥107.41=U.S.$1, the approximate exchange rate on March 31, 2005, for the convenience of the reader. These translations should not be construed as representations that Japanese yen amounts actually represent, have been or could be converted into, U.S. dollars at this or any other rate.

3. SIGNIFICANT ACCOUNTING POLICIES

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

As at March 31, 2005, the consolidated financial statements include the accounts of the Company and its ten (ten for 2004) material subsidiaries. Effective from the beginning of the year ended March 31, 2004, Atrium Servicing Co., Ltd. and Uraku Aoyama Co., Ltd. (formerly named Health Park Co., Ltd. until August 1, 2004) have been included in the scope of consolidation in light of the increased materiality to the overall group of these companies. United Vacations Japan Inc., previously consolidated, has been excluded from the scope of consolidation as this company had been liquidated. Lira Corporation, previously consolidated, has been excluded due to its merger with a consolidated subsidiary, Vivre Co., Ltd.

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 five (three for 2004) material affiliates are accounted for by the equity method. Effective from the beginning of the year ended March 31, 2004, Idemitsu Credit Co., Ltd. and UC CARD Co., Ltd. have been included in these affiliates in light of the increased materiality and the acquisition of equity, respectively. 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 (consolidated adjustments), which is amortized equally over five years on a straight-line basis.

(b) Financial instruments

The Company and its consolidated subsidiaries 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 Company and its consolidated subsidiaries are classified into four categories:

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

Held-to-maturity debt securities that the Company and its consolidated subsidiaries 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 Company in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for by the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and affiliates are stated at cost.

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

Other securities that do not have market prices are stated at cost using the moving-average method. Equities of limited liability partnerships for investment business and of other similar partnerships (defined as "securities" by Article 2 Section 2 of the Securities and Exchange Law) are valued at the net equity equivalent based on the recently available financial statements of the partnerships corresponding to the reporting dates of the financial statements defined by the partnership agreements.

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

All other securities are presented as "non-current."

iii. Hedge accounting

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

The Company uses derivative financial instruments to manage its exposure to fluctuations in interest rates. The Company uses interest rate swaps and currency swaps to reduce interest rate risk. The Company does not enter into derivatives for trading or speculative purposes.

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

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

(c) Inventories

Merchandise is stated at cost determined principally by the specific identification method.

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

(d) Depreciation of 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.

Buildings on leased land subject to limited-term lease agreements for business purposes are required to be demolished and the land required to be returned as vacant lots upon the expiration of terms under the lease agreements.

(e) Leased properties

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

(f) Allowance for losses on accounts 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.

(g) Allowance for losses on guarantees

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

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

(h) Allowance for losses on warranty of defects

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

(j) Allowance for bonuses

The Company records the amount that it expects to pay for employee bonuses for the year in the allowance for bonuses.

(k) Accrued pension and severance costs

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

Unfunded past service cost and actuarial differences of the plans are being amortized over a period of nine to eleven years for the fiscal years ended March 31, 2005 and 2004, within the average remaining service period at the time of occurrence. Amortization of unfunded past service cost and amortization of actuarial differences start from occurrence and from the following fiscal year, respectively.

(l) Accrued retirement benefits to directors and statutory auditors

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

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

(m) Income taxes

The Company adopted deferred tax accounting in conformity with Japanese accounting standards. As required by the standards, deferred tax assets and liabilities are recorded based on the temporary differences between the financial statements and the tax bases of assets and liabilities.

(n) Appropriation of retained earnings

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

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

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

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

Effective from the year ended March 31, 2004, the Companies adopted "Accounting Standard for Impairment of Fixed Assets." The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate material change in the carrying amount of an asset. Impairment loss on property and equipment and other assets amounted to ¥7,570 million for the year ended March 31, 2004 and was recorded as a non-operating expense.

(q) Change in presentation on the consolidated balance sheet

In conformity with "A Partial Revision of the Securities and Exchange Law," promulgated on June 9, 2004 and enforced on December 1, 2004, followed by a revision of "Practical Guideline of Financial Instruments Accounting" on February 2, 2005, 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), formerly included in Investments and other assets: 'Other,' are presented as investment securities effective from the year ended March 31, 2005. Equities of such partnerships amounted to ¥7,313 million (US$68,084 thousand) and ¥5,630 million as of March 31, 2005 and 2004, respectively.

(r) Supplementary cash flow information

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

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Consolidated balance sheet:			
Cash and deposits	**¥54,308**	¥73,421	**$505,612**
Cash and cash equivalents at end of year	**¥54,308**	¥73,421	**$505,612**

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Non-cash financing activities are as follows:			
Conversion of convertible bonds			
Common stock increased due to conversion of convertible bonds	**¥ 3,393**	**¥ 331**	**$31,589**
Additional paid-in capital increased due to conversion of convertible bonds	**3,389**	**330**	**31,552**
Convertible bonds decreased due to conversion	**6,782**	**661**	**63,141**
Acquisition of investment securities by debt to equity swaps	**—**	**9,772**	**—**
Acquisition of investment securities by investment in kind and stock to stock exchange	**10,231**	**—**	**$95,251**

(s) Reclassification

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

4. NOTES AND INSTALLMENT ACCOUNTS RECEIVABLE

As of March 31, 2005 and 2004, liquidated revolving receivables and single-payment card shopping receivables amounted to ¥40,400 million (US$376,135 thousand) and ¥50,000 million (US$465,506 thousand), respectively. Liquidated revolving card cashing receivables amounted to ¥28,750 million (US$267,268 thousand) as of March 31, 2005.

The outstanding balance of notes and installment accounts receivable includes receivables generated from such liquidation of single-payment card shopping receivables, amounting to ¥98,326 million (US$915,427 thousand) and ¥93,628 million as of March 31, 2005 and 2004, respectively.

The outstanding balance of notes and installment accounts receivable includes trust beneficiary rights generated from such liquidation of revolving card shopping receivables amounting to ¥15,811 million (US$147,206 thousand) and ¥15,267 million as of March 31, 2005 and 2004, respectively.

The outstanding balance of notes and installment accounts receivable includes trust beneficiary rights generated from such liquidation of revolving card cashing receivables amounting to ¥15,515 million (US$144,451 thousand) as of March 31, 2005.

5. LOAN COMMITMENTS

The Company and its consolidated subsidiaries 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
	2005	2004	**2005**
Total loan limits	**¥5,835,727**	¥5,474,846	**$54,331,321**
Loan executions	**467,085**	439,215	**4,348,622**
	¥5,368,642	¥5,035,631	**$49,982,699**

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

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

6. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans are represented principally by 30 to 365 day notes to banks, with an average interest rate of 0.77% as of March 31, 2005.

Long-term debt as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Average 1.26% mortgage or secured loans from banks, insurance companies and other financial institutions, due in installments through 2013	**¥362,562**	¥269,359	**$3,375,496**
0.60% domestic convertible bonds, due on March 31, 2005	**—**	6,784	**—**
0.39625% (variable) to 1.85% bonds, due in installments through 2014	**184,840**	161,000	**1,720,882**
Average 0.62% payables on under-securitized lease receivables*	**33,000**	36,127	**307,234**
Subtotal	**580,402**	473,270	**5,403,612**
Less: Current portion	**(99,304)**	(52,644)	**(924,534)**
	¥481,098	¥420,626	**$4,479,078**

*Payables on under-securitized lease receivables are incurred under the regulation for securitization of specific credit.

The aggregate annual maturities of long-term debt subsequent to March 31, 2005 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 99,304	$ 924,534
2007	85,261	793,792
2008	98,090	913,226
2009	40,877	380,570
2010 and thereafter	256,870	2,391,490

The following is a summary of the terms of convertible bonds as of March 31, 2005:

	0.60% domestic convertible bonds due 2005
Exercise price per share	**¥2,094.8** **US$19.50**
Number of shares of common stock issuable as of March 31, 2005	**—**

The exercise prices are subject to adjustments for subsequent stock splits and shares issued at less than market value to be made in the future.

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

7. LEASE TRANSACTIONS

(a) Finance leases (lessee)

Finance leases as of March 31, 2005 and 2004 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
	2005	2004	**2005**
Buildings:			
Acquisition cost	**¥ 1,514**	¥ 1,576	**$ 14,100**
Accumulated depreciation	**(603)**	(511)	**(5,618)**
Net book value	**911**	1,065	**8,482**
Software:			
Acquisition cost	**100**	98	**927**
Accumulated depreciation	**(57)**	(36)	**(529)**
Net book value	**43**	62	**398**
Other (fixtures and equipment):			
Acquisition cost	**3,582**	2,611	**33,346**
Accumulated depreciation	**(1,158)**	(839)	**(10,779)**
Net book value	**2,424**	1,772	**22,567**
Total:			
Acquisition cost	**5,196**	4,285	**48,373**
Accumulated depreciation	**(1,818)**	(1,386)	**(16,926)**
Net book value	**¥ 3,378**	¥ 2,899	**$ 31,447**

ii. Minimum future lease payments

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Due within one year	**¥ 959**	¥ 825	**$ 8,935**
Due after one year	**2,568**	2,146	**23,906**
Total	**¥3,527**	¥2,971	**$32,841**

Impairment loss account of leased assets amounted to ¥37 million (US$349 thousand) as of March 31, 2005

iii. Lease payments, depreciation equivalent and interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Lease payments	**¥1,004**	¥1,057	**$9,344**
Reversal of impairment loss account of leased assets	**—**	—	**—**
Depreciation equivalent	**936**	981	**8,712**
Interest equivalent	**108**	94	**1,004**
Impairment loss	**37**	—	**349**

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

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

(b) Equipment for lease (lessor)

Equipment for lease as of March 31, 2005 and 2004 and for the years then ended is summarized as follows:

i. Acquisition cost and accumulated depreciation

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Equipment:			
Acquisition cost	**¥232,246**	¥199,361	**$2,162,240**
Accumulated depreciation	**(86,965)**	(72,026)	**(809,653)**
Net book value	**145,281**	127,335	**1,352,587**
Software:			
Acquisition cost	**6,140**	2,445	**57,159**
Accumulated depreciation	**(1,352)**	(570)	**(12,587)**
Net book value	**4,788**	1,875	**44,572**
Total:			
Acquisition cost	**238,386**	201,806	**2,219,399**
Accumulated depreciation	**(88,317)**	(72,596)	**(822,240)**
Net book value	**¥150,069**	¥129,210	**$1,397,159**

ii. Minimum future lease revenue

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Due within one year	**¥ 34,773**	¥ 29,281	**$ 323,743**
Due after one year	**121,882**	105,345	**1,134,734**
Total	**¥156,655**	¥134,626	**$1,458,477**

The above amounts include lease obligations which were sold under the Regulation for Securitization of Specific Credit.

iii. Lease revenue, depreciation equivalent and interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Lease revenue	**¥40,597**	¥34,315	**$377,961**
Depreciation equivalent	**34,289**	28,668	**319,239**
Interest equivalent	**8,471**	7,279	**78,867**

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

(c) Operating leases (lessee)

Minimum future lease payments as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Due within one year	**¥182**	¥325	**$1,694**
Due after one year	**76**	258	**711**
Total	**¥258**	¥583	**$2,405**

8. OTHER SECURITIES

As of March 31, 2005 and 2004 acquisition cost amounts on the consolidated balance sheets of other securities that have market prices are summarized below:

	Millions of yen						Thousands of U.S. dollars		
	2005			2004			2005		
	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	¥ 7,178	¥19,799	¥12,621	¥ 5,777	¥14,605	¥8,828	$ 66,825	$184,334	$117,509
Other	40	41	1	21	23	2	372	380	8
Subtotal	7,218	19,840	12,622	5,798	14,628	8,830	67,197	184,714	117,517
Balance sheet amount not exceeding acquisition cost:									
Equity shares	5,624	5,547	(77)	8,704	8,361	(343)	52,362	51,647	(715)
Bonds									
Corporate	129	117	(12)	31	28	(3)	1,205	1,088	(117)
Other	3,724	3,053	(671)	4,954	4,172	(782)	34,669	28,421	(6,248)
Subtotal	9,477	8,717	(760)	13,689	12,561	(1,128)	88,236	81,156	(7,080)
Total	¥16,695	¥28,557	¥11,862	¥19,487	¥27,189	¥7,702	$155,433	$265,870	$110,437

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 a part 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 employees' option.

Reflecting these changes, the Companies recognized "Gains on revisions of pension plans," 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 Standard Board of Japan) and prior service obligation was incurred.

In the year ended March 31, 2004, prior service obligation was incurred due to a change in the method of payment of basic retirement benefits as a result of the change from a contributory trusteed employee pension plan to a defined benefit corporate pension plan.

(a) Accrued pension and severance costs

Accrued pension and severance costs as of March 31, 2005 and 2004 are as calculated below:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Retirement benefit obligations	¥(9,891)	¥(16,006)	$(92,083)
Plan assets	3,889	5,004	36,208
Funded status	(6,002)	(11,002)	(55,875)
Unrecognized actuarial differences	4,412	5,400	41,071
Unrecognized prior service obligations	(5,531)	(1,797)	(51,497)
Accrued pension and severance costs	(7,121)	(7,399)	(66,301)

(b) Retirement benefit expenses

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Service costs	**¥ 767**	¥ 965	**$ 7,140**
Interest costs	**264**	362	**2,454**
Expected return on plan assets	**(67)**	(86)	**(627)**
Actuarial difference recognized as expense	**652**	678	**6,069**
Prior service obligations recognized as expenses	**(479)**	(119)	**(4,455)**
Retirement benefit expenses	**1,137**	1,800	**10,581**
Gains on revisions of pension plans	**(283)**	—	**(2,632)**
Total	**¥ 854**	¥1,800	**$ 7,949**

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

	2005	2004
Discount rate	**2.0%**	2.0%
Expected return on plan assets	**1.5%**	1.5%
Period of recognition of prior service obligation	**9–11 years evenly**	9–11 years evenly
Period of recognition of actuarial differences	**9–11 years evenly**	9–11 years evenly

10. DEFERRED TAX ASSETS AND LIABILITIES

(a) Effective tax rate

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

	2005	2004
Statutory tax rate	**40.70%**	42.05%
Reconciliation:		
Expenses not deductible for tax purposes	**0.22**	0.22
Non-taxable dividend income	**(0.09)**	(1.17)
Inhabitants taxes per capita	**0.30**	0.34
Amortization of consolidated reconciliation	**(0.15)**	(0.19)
Equity in net earnings (losses) of affiliated companies	**1.38**	1.11
Increase of evaluation allowance	**0.55**	1.30
Reduction of deferred tax assets resulting from tax rate revision	**0.29**	1.33
Net gain on changes in equity interest	**(1.77)**	—
Income tax credit	**(1.31)**	(1.14)
Other	**(0.02)**	0.64
Effective tax rate	**40.10%**	44.49%

(b) Deferred income taxes

Deferred income taxes as of March 31, 2005 and 2004 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Inventories	¥ 742	¥ 360	$ 6,906
Accumulated impairment losses of property and equipment, other assets	2,879	3,081	26,804
Investment securities	1,920	171	17,873
Allowance for losses on receivables	5,987	5,774	55,738
Accrued expenses	8,842	6,063	82,325
Accrued enterprise taxes	1,080	2,155	10,052
Accrued pension and severance costs	2,898	2,987	26,982
Other allowance	1,543	1,334	14,370
Accumulated tax loss carryforwards	1,464	4,041	13,628
Unrealized losses on other securities	231	293	2,153
Other	1,655	1,333	15,405
Subtotal	29,241	27,592	272,236
Less evaluation allowance	(824)	(517)	(7,673)
Total deferred tax assets	28,417	27,075	264,563
Deferred tax liabilities:			
Capital gains deferred for tax purposes	(212)	(212)	(1,971)
Unrealized gains on other securities	(5,060)	(3,418)	(47,110)
Other	(36)	(47)	(339)
Total deferred tax liabilities	(5,308)	(3,677)	(49,420)
Net deferred tax assets	¥23,109	¥23,398	$215,143

On March 31, 2003, the National Diet of Japan approved various changes to the calculation of the statutory local enterprise tax, effective April 1, 2004. As a result of this amendment, for years commencing April 1, 2004 the income tax rate for enterprise taxes was reduced as a result of introducing the assessment by estimation on the basis of the size of business.

The Company and its consolidated subsidiaries used the revised tax rate to calculate deferred income tax assets and liabilities as of March 31, 2004. The effect of the change was to decrease deferred tax assets, net of deferred tax liabilities, by ¥565 million and to increase provision for deferred income taxes and unrealized gains on other securities by ¥539 million and ¥26 million, respectively.

11. IMPAIRMENT LOSS OF PROPERTY AND EQUIPMENT, OTHER ASSETS

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

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

March 31, 2005

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

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

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

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

March 31, 2004

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

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Property and equipment:			
Buildings and improvements	**¥ 551**	¥3,125	**$ 5,129**
Land	**—**	2,114	**—**
Other (fixtures and equipment, other assets)	**515**	601	**4,790**
Investment and other assets:			
Other	**53**	1,730	**493**
Current liabilities:			
Other	**37**	—	**349**
Total	**¥1,156**	¥7,570	**$10,761**

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

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

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

12. OPERATING REVENUES

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Financing and administration fees	**¥183,618**	¥174,963	**$1,709,507**
Entertainment sales:			
Net sales	**108,546**	95,586	**1,010,580**
Cost of sales	**91,556**	79,981	**852,405**
Income from entertainment sales	**16,990**	15,605	**158,175**
Real estate business:			
Net sales	**52,179**	52,116	**485,792**
Costs of sales	**39,547**	41,936	**368,188**
Income from real estate business	**12,632**	10,180	**117,604**
Lease business:			
Net sales	**57,535**	46,332	**535,661**
Costs of sales	**50,732**	40,806	**472,323**
Lease income	**6,803**	5,526	**63,338**
Other business:			
Net sales	**13,432**	14,800	**125,057**
Cost of sales	**5,349**	7,313	**49,795**
Other income	**8,083**	7,487	**75,262**
Financial income	**12,259**	6,571	**114,128**
Total operating revenues	**¥240,385**	¥220,332	**$2,238,014**

13. DERIVATIVES

Contractual values or notional principal amounts and unrealized profits (losses) on derivative transactions as of March 31, 2005 and 2004 are summarized below:

(a) Interest rate transactions

	Millions of yen					
	2005			2004		
	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	**¥24,267**	**¥21,867**	**¥(702)**	¥49,315	¥27,315	¥(1,117)
Fixed-rate receipt/Floating-rate payment	**—**	**—**	**—**	3,000	—	40
Total	**¥24,267**	**¥21,867**	**¥(702)**	¥52,315	¥27,315	¥(1,077)

	Thousands of U.S. dollars		
	2005		
	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	**$255,929**	**$203,584**	**$(6,534)**
Fixed-rate receipt/Floating-rate payment	**—**	**—**	**—**
Total	**$225,929**	**$203,584**	**$(6,534)**

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

(b) Foreign exchange transactions

	Millions of yen					
	2005			2004		
	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	**¥1,028**	**¥ —**	**¥(8)**	¥1,199	¥ —	¥141
Total	**¥1,028**	**¥ —**	**¥(8)**	¥1,199	¥ —	¥141

	Thousands of U.S. dollars		
	2005		
	Contractual value or notional principal amount		Unrealized profit (loss)
	Total	Over 1 year	
Currency swaps:			
Yen received/U.S. dollars paid	**$9,574**	**$ —**	**$(74)**
Total	**$9,574**	**$ —**	**$(74)**

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. Foreign exchange forward contracts created for foreign currency denominated monetary assets and liabilities, from which yen amounts are excluded and shown in the consolidated balance sheets, are excluded from the scope of above disclosure.
3. Hedged derivatives transactions are excluded.

14. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2005, the Companies were contingently liable as credit guarantee for customers borrowing from the alliance banks and LAWSON CS Card Inc., amounting to ¥77,956 million (US$725,782 thousand) and ¥7,185 million (US$66,893 thousand), respectively.

15. SEGMENT INFORMATION

(a) Business segments

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

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

	Thousands of U.S. dollars								
	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	**$1,823,635**	**$ 3,204**	**$1,826,839**	**$1,378,087**	**$448,752**	**$10,193,989**	**$ 39,967**	**$ —**	**$168,566**
Entertainment	**158,175**	**354**	**158,529**	**145,885**	**12,644**	**315,849**	**28,712**	**8,851**	**58,946**
Real estate	**117,604**	**6,889**	**124,493**	**72,954**	**51,539**	**1,013,714**	**2,520**	**—**	**3,544**
Lease	**63,338**	**472**	**63,810**	**39,270**	**24,540**	**1,439,856**	**322,162**	**—**	**651,271**
Other	**75,262**	**2,565**	**77,827**	**36,823**	**41,004**	**69,906**	**635**	**1,910**	**157**
Total	**2,238,014**	**13,484**	**2,251,498**	**1,673,019**	**578,479**	**13,033,314**	**393,996**	**10,761**	**882,484**
Eliminations or corporate	**—**	**(13,484)**	**(13,484)**	**19,515**	**(32,999)**	**1,052,425**	**1,125**	**—**	**855**
Consolidated	**$2,238,014**	**$ —**	**$2,238,014**	**$1,692,534**	**$545,480**	**$14,085,739**	**$395,121**	**$10,761**	**$883,339**

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

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 and real estate leasing
(d) Lease: Equipment leasing
(e) Other: Mail-order sales

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Non-allocable operating expenses	¥ 3,242	¥ 2,560	$ 30,186
Corporate assets	120,693	109,987	1,123,663

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. Change in presentation of loss on disposal of properties:
   As described in Note 3 (o), formerly the loss on disposal of casino machines held by the consolidated subsidiary operating Entertainment business was included in non-operating expenses in the consolidated statements of income. Considering recent frequent occurrence of replacement of the machines, the loss is included in selling, general and administrative expenses in the consolidated statements of income, effective from the year ended March 31, 2004. This change caused operating income of Entertainment business to decrease by ¥1,865 million for the year ended March 31, 2004.
5. Accounting standards for impairment of fixed assets
   As described in 'Note 3 (p) Impairment loss of property and equipment, other assets,' the Companies adopted "Accounting Standard for Impairment of Fixed Assets" effective from the year ended March 31, 2004. The effect of the adoption was to recognize impairment losses on the credit and finance business, Entertainment business, amounting to ¥3,879 million and ¥3,691 million, respectively. Operating assets of these business decreased by ¥3,879 million and ¥3,658 million, respectively.

(b) Geographic information

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

(c) Overseas sales

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

Report of Independent Accountants

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 consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CREDIT SAISON CO., LTD. and its consolidated subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 3, the consolidated subsidiary operating Entertainment business changed the classification of loss on disposal of casino machines from non-operating expenses to selling, general and administrative expenses in the consolidated statements of income, effective from the year ended March 31, 2004.

As described in Note 3, CREDIT SAISON CO., LTD. and its consolidated subsidiaries had adopted the new Japanese accounting standards for impairment of fixed assets from the year ended March 31, 2004.

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

ChuoAoyama Pricewaterhouse Coopers

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan
June 25, 2005

Corporate History

Management Topics

2005

May Formed an equity and business tie-up with the Mitsubishi Corporation in the mail-order business and transferred direct marketing business operations of Saison Direct Marketing Co., Ltd.

Apr. Started operations of the new credit center "Ubiquitous"

Mar. Equity participation in UC CARD Co., Ltd.

2004

Dec. Entered into a comprehensive business alliance master agreement with the Mizuho Financial Group, Inc., Mizuho Bank, Ltd., and UC CARD Co., Ltd.

Sept. Launched a real estate mortgage loan business

Aug. Equity participation in Takashimaya Credit Co., Ltd.

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

Equity participation in Resona Card Co., Ltd.

Apr. Reached basic agreement with Takashimaya Company, Limited on strategic alliance in the credit card business

Feb. Decided to form a strategic equity and business tie-up with Resona Holdings, Inc.

2003

Oct. Equity participation in Idemitsu Credit Co., Ltd.

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

Mar. Introduced a special benefit plan for shareholders

2002

June Granted stock options to all employees for the first time in the company's history

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

Feb. Transferred shares of Saison Life Insurance Co., Ltd. to GE Edison Life Insurance Co. (currently AIG Edison Life Insurance Company)

Equity participation in LAWSON CS Card, Inc.

Jan. Reached agreement to establish LAWSON CS Card, Inc., jointly with LAWSON, INC., and the Mitsubishi Corporation

2001

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

Mar. Selected for inclusion in the Nikkei Stock Average (Nikkei 225)

1989

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

1980

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

1976

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

1968

June Listed on the first section of the Tokyo Stock Exchange

1951

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

1999
Total transaction volume surpassed 2 trillion yen

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

1992
Total number of cardholders surpassed 10 million

1991
Total transaction volume surpassed 1 trillion yen

Business Topics

2005

Sept. Formed alliance with The Tokyo Electric Power Company, Incorporated enabling card payment of electricity bills

Jul. Began sale of a second auto insurance product exclusively for cardholders developed in alliance with Saison Automobile and Fire Insurance Co., Ltd.

Launched "SAISON Wedding Story," a Web-based comprehensive wedding information service

Issued "K-1 SAISON Card" through alliance with FEG INC.

Apr. Issued "Mizuho Mileage Club Card SAISON"

Issued the new "Prince Card" through an alliance with PRINCE HOTELS, INC.

Feb. Issued "SAISON Postal Savings Gold Visa Card"

2004

Dec. Launched securities brokerage service in alliance with Monex Beans Holdings, Inc.

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

Issued "Resona Card+S (Resona Card SAISON)"

Enhanced travel and entertainment services for "SAISON American Express Card"

Sept. Issued "TAKASHIMAYA SAISON CARD"

Aug. Start of "SAISON MILE CLUB," (new frequent flyer program)

June Launched "SAISON Housing Information," a Web-based real estate information service

Apr. Issued the "Idemitsu Card Mydo Plus"

Mar. Formed business alliance with ORIX Corporation in automobile leasing business for individuals

2003

Dec. Enhanced "Gold SAISON CARD" preferred services

Sept. Start of "SAISON STATION," (an information terminal for rapid application and issuance of cards)

Began issuing "Super Value Plus," an insurance product exclusively for cardholders, through a business alliance among Credit Saison, Saison Automobile and Fire Insurance Co., Ltd. and Sompo Japan Insurance Inc.

July Began publishing tour catalog, "*SAISON Tabimonogatari*," in cooperation with JTB Corp.

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

Mar. Began "SAISONPASS" account aggregation service for SAISON CARD holders

Feb. Issued "SAISON Four Beat Card"

Jan. Began using "SAISON CARD EXPRESS" for speedy online card issuance

2002

Sept. Issued "SAISON Japanese Postal Savings Check Card," which allows users to set their own usage limits

Mar. Introduced "SAISON CARD MAKER," a speedy, automatic card issuing machine

Feb. Started new membership point service "SAISON Dream" (currently "*Eikyufumetsu Point*," or "SAISON Permanent Points" in English)

2001

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

2000

Nov. Overseas travel services expanded through an alliance with U.K. travel and financial service company Travelex plc.

Aug. Started "Net Answer," a web site for cardholders

1999

Sept. Issued combined credit/cash cards with regional banks

Mar. Started "SAISON Postal Savings Global Service," with a card offering credit, debit and cashing functions in Japan and overseas

1997

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

1995

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

1991

June. Started the affinity card business

1988

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

1983

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

Corporate Information

(As of March 31, 2005)

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: ¥69,526 million

Number of Employees: Consolidated: 2,422
Non-consolidated: 1,507

Closing of Accounts: March 31

Stock Listing: Tokyo Stock Exchange, First Section

Ticker No.: 8253

Independent Auditor: ChuoAoyama PricewaterhouseCoopers

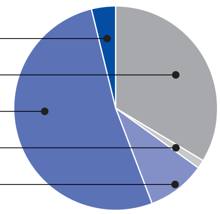
Transfer Agent: The Sumitomo Trust & Banking Co., Ltd.
Stock Transfer Agency Department
1-1-4, Marunouchi, Chiyoda-ku, Tokyo

Common Stock Authorized: 300,000 thousand shares

Common Stock Outstanding: 176,618 thousand shares

Number of Shareholders: 6,301

Composition of Shareholders:



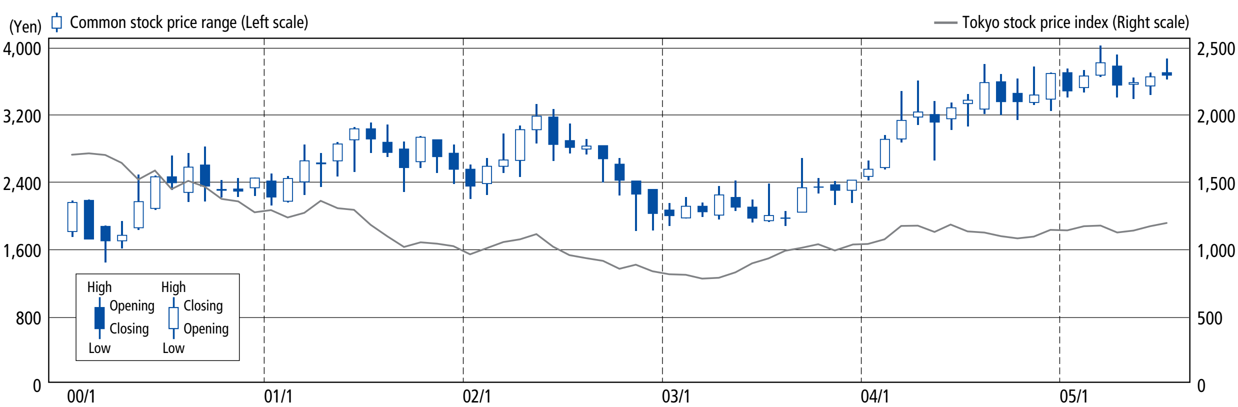
Major Shareholders:

Name	Number of Shares (Thousands)	Percentage of Ownership (%)
The Master Trust Bank of Japan, Ltd. (trust account)	15,918	9.01
Japan Trustee Services Bank, Ltd. (trust account)	13,289	7.52
The Seibu Department Stores, Ltd.	11,600	6.57
State Street Bank and Trust Company	9,940	5.63
State Street Bank and Trust Company 505103	6,192	3.51
Mizuho Corporate Bank, Ltd.	4,675	2.65
Mellon Bank N.A. as agent for its client Mellon Omnibus US Pension	3,809	2.16
Barclays Bank plc Barclays Capital Securities	3,033	1.72
OM04 SSB Client Omnibus	2,802	1.59
BNP Paribas Securities (Japan) Limited (BNP Paribas Securities Company)	2,647	1.50

Note: During the year under review, the following companies filed reports of major shareholdings, stating that they held shares as below. We were not able to confirm the numbers of shares that these companies actually held in their own names as of the close of the term; thus, they are not included in the above list of major shareholders.

Name	Number of Shares (Thousands)	Percentage of Ownership (%)
Artisan Partners Limited Partnership	13,369	7.57
Fidelity Investments Japan Ltd.	9,760	5.53
Nomura Asset Management Co., Ltd.	8,146	4.61

Monthly Stock Price Range:



Yearly High and Low Prices:

(Yen)

	2001	2002	2003	2004	2005
High	3,100	3,320	2,680	3,840	4,070
Low	2,125	1,821	1,881	2,420	3,420

Note: Stock prices for 2005 are for the period from January 1 to July 31.

SAISON CARD INTERNATIONAL

CREDIT SAISON CO., LTD.

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

PRINTED WITH SOY INK

Printed in Japan with soy ink on recycled paper.