ANNUAL REPORT 2013

CREDIT SAISON CO., LTD.

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

Contents

01 To Our Stakeholders
04 Innovative Services Pioneered by Credit Saison
05 Review of Operations
06 Management Strategy
- 06 Build the No. 1 System by Card Function on a Consolidated Basis
- 08 Expanding Settlement Platforms
- 09 Strengthening the Fee-based Business Using the Internet
- 10 Further Progress in Development as a Non-bank Finance Company
- 11 Full-scale Entry into the Retail Finance Market in Asia

12 Board of Directors and Audit & Supervisory Board Members
13 Corporate Governance
16 Corporate Social Responsibility (CSR)
18 Six-year Summary of Select Financial Data
19 Management's Discussion and Analysis
26 Consolidated Balance Sheet
28 Consolidated Statement of Income/ Consolidated Statement of Comprehensive Income
29 Consolidated Statement of Changes in Equity
30 Consolidated Statement of Cash Flows
31 Notes to Consolidated Financial Statements
53 Independent Auditor's Report
54 Corporate History
56 Major Group Companies
57 Corporate Information

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.

Further Growth as a Non-bank Finance Company

—Through Diverse Collaboration—

Credit Saison is promoting “Collaborative Management” to maximize its corporate value. Collaborative management means starting from our position as a leading-edge service company, and combining our unique strategic advantages, such as our wide network of alliances and innovative products and services, as well as our customer base of 35 million cardmembers.

American Express® Card Customer Channel Development Partners

Companies with affluent customer bases

Strategic Partners in Asia

Allied retail companies with operations in Asia, Internet companies

Using N

in Colla

Up-front Investment Partners

Venture companies, incubation funds

Service Partners

Discounts and special offers
Mileage services
ETC services
Travel services
Entertainment services
Insurance products

Non-bank Business Partners

Lease and rental, Credit guarantees, many kinds of mortgage loans such as Flat 35 and Non-recourse loans

Social Contributions and Sponsorship Activities

Akagi Nature Park, Japanese n
NADESHIKO JAPAN Women's N

Internet Business Partners

Online shopping, Auctions, Research, Coupons, Search and forums, Reservations, Online advertising, Open membership

Group Management Partners

Real estate, Money-Lending, Servicer, Childcare, Temporary staffing, Card-related operations, Entertainment, Others

eutrality as an Advantage
borative Management

SAISON CARD INTERNATIONAL

Regional Revitalization Campaign Partners

Machikado Festa (Ikebukuro, Sapporo, Hakata, Sendai, etc.)

Card Issuing Partners

Department stores, Supermarkets and specialty retailers, Developers, Consumer electronics stores and convenience stores, Financial institutions, Corporations, Telecommunications and broadcasting, Airlines, railways and automakers, Travel, Entertainment, Environment, Culture Education, Lifestyle

Settlement Platform Partners

Mobile phones, Prepaid cards, E-money, Clearing services, Settlement services

Credit Card Joint Venture Partners

IDEMITSU CREDIT CO., LTD.
Resona Card Co., Ltd.
Takashimaya Credit Co., Ltd.
Yamada Financial Co., Ltd.
Shizugin Saison Card Co., Ltd.
Daiwa House Financial Co., Ltd.
YM SAISON CO., LTD
Seven CS Card Service Co., Ltd.

ational soccer teams (the SAMURAI BLUE Men's National Team and the ational Team), José Carreras, TORAY PAN PACIFIC OPEN TENNIS TOURNAMENT

We are establishing a multi-core framework for our revenue streams through collaborative management utilizing our strategic assets.

The environment in recent years surrounding the Japanese credit card industry has undergone considerable change due to economic conditions, consumption trends, the regulatory framework and other factors. In particular, tighter regulations under the Money Lending Business Act and Installment Sales Act have caused changes to the earnings structure of the credit card sector, which has resulted in large-scale reorganization of the industry centering on Japan's megabanks as well as increased competition from companies in other industries entering the fray. I believe the past few years have been among the toughest that Credit Saison has faced since its founding.

However, beginning with the credit card business, we have earned the broad support of customers for over 30 years by continuing to provide innovative products and services, including credit cards with no annual membership fees, Eikyufumetsu Points that never expire, signature-less settlements, the Saison American Express Card, and the Eikyufumetsu.com online shopping mall. In December 2012, our innovative card strategy was recognized and honored with a Porter Prize, named after Professor Michael E. Porter, a leading figure in competition and strategy theory.

Going forward, as a leading-edge service company we intend to continue pursuing customer satisfaction by providing products and services born of innovative ideas.

Moreover, Credit Saison's assets include a diverse network of alliance partners we have cultivated through highly distinctive and flexible management practices, a highly varied business domain based on credit cards, and a 35-million strong customer base for our two brands, Saison Card and UC Card, plus processing agency services. We will harness these assets combined with our highly unique products and services—our strategic assets—to maximize our corporate value through "Collaborative Management."

We will also create a settlement platform to break the dominance of the cash market, while strongly promoting the Internet business, where we are expanding fee-based businesses such as Eikyufumetsu.com, the finance business, which handles leases, credit guarantees, Flat 35 mortgages and Saison Asset Formation Loans, and the retail finance business overseas, which is geographically centered on the ASEAN region.

By fostering collaboration with a range of outstanding business and alliance partners, we will continue to develop as a non-bank finance company and further reinforce our revenue base.

In order to overcome the challenging operating conditions that currently prevail, we will continue to innovate, boldly promote "Collaborative Management," establish a multi-core framework of revenue sources, and thereby make further strides as a non-bank finance company.

Photo: Motoyuki Ishibashi

Accelerate Business Development in ASEAN Countries and Actively Promote Upfront Investment

We believe that the global economy in the 21st century will center on Asia and that the 10 ASEAN countries in particular will begin growing at a fast pace. With its proximity to mainland Asia, Japan has strong advantages geographically, as well as in technologies and services.

Leveraging the retail finance expertise we have built up over many years, Credit Saison has begun full-scale entry into the Asian market, our first step toward sustained future growth. In June of last year we opened a representative office in Hanoi, Vietnam, and in April of this year we established a consulting company also in Hanoi to provide retail finance know-how to local companies. Going forward we intend to accelerate business development in ASEAN countries and open new offices in Indonesia, Malaysia, the Philippines and other parts of the region.

In addition, we will also actively make upfront investment for medium- and long-term growth by forming strategic partnerships, for example, with local financial firms and operating companies, prominent Japanese IT companies, and companies moving into ASEAN markets.

Stimulating Consumer Spending and Strengthening Development and Promotion of New Settlement Methods

"Abenomics," the economic policy of the Abe administration, is expected to promote macro-economic improvements—renewed real estate investment, a recovery in business conditions, etc.—through higher stock prices, a weaker yen, and monetary easing, which should lead to a recovery in consumer spending through improved corporate performance and resulting increases in wages and bonuses. In order to actively take advantage of the opportunity afforded by enlivened consumption, we will focus on increasing cardmembers primarily for cards with high usage rates like Saison American Express Cards, retailer affinity cards, and cards acquired through online channels. Our goal is to become the No. 1 issuer on a consolidated basis in terms of cardmembers.

At the same time, in order to boost the appeal of our cards, we will enhance services and carry out aggressive promotions to stimulate consumer spending, including collaborative campaigns with retailers in major cities throughout Japan.

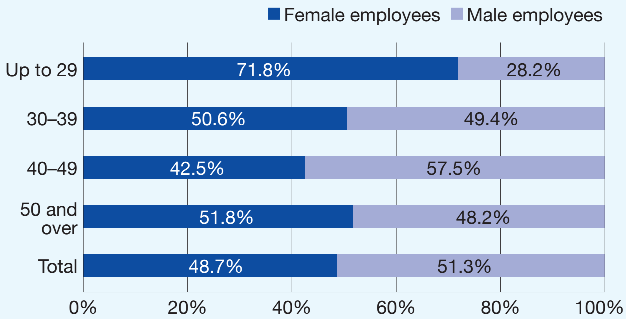
Moreover, we will continue to work to expand our Internet business in ways that utilize Eikyufumetsu Points and also take proactive steps in the small-amount settlement market. The latter includes a new settlement service, Coiney, that utilizes smartphones and tablet PCs in an effort to break cash dominance, as well as measures to reinforce prepaid card services.

Becoming No. 1 in Personnel Activation and Active Participation of Women

As part of innovative management, we will work to foster a new generation of human resources capable of taking on the challenge of innovation on various fronts. We are aiming to become the No. 1 company in personnel activation—for example, we will promote the formation of a dynamic corporate culture by encouraging active communication within the Company through such means as the Dream Plan system, which allows all employees to propose solutions for issues facing management, Future Lab for thinking about the future of the Company, and Learning Cafe, where employees can learn from the experience of upper level managers.

Women currently account for roughly half of all management positions, with a particularly strong presence on the frontlines of sales. With a management vision of becoming No. 1 in active participation of women, we are taking measures to make it easier for women in various situations to work at the Company. For example, we have instituted a childcare leave program for employees with children up to age three, a program for working shorter hours after returning to work, seminars on how to balance parenting and childcare and a variety of other schemes as well. Starting this term, we intend to focus still further on initiatives to support women at work, which includes corporate sales.

Distribution of Managers by Gender and Age



A Work and Parenting Seminar

Reasonable, Stable, and Sustained Dividends

Based on a management strategy aimed at long-term, stable growth, Credit Saison considers it important to steadily execute business policies for achieving its goals and to use upfront investment for future growth to maximize shareholder value. Regarding returns to shareholders, we intend to pay reasonable, stable, and sustained dividends while working to augment internal reserves to achieve these objectives. The annual dividend for fiscal 2013 was kept at ¥30 per share. We also anticipate paying an annual dividend of ¥30 per share in fiscal 2014.

Hiroshi Rinno, President and CEO
August 2013

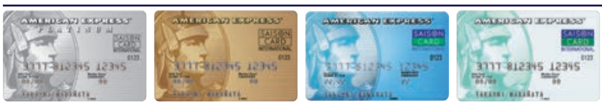
INNOVATIVE SERVICES PIONEERED BY CREDIT SAISON

Always with You

Credit Saison has consistently created new products and services from innovative ideas while maintaining a thorough dedication to customers at all times.
Recognizing that we have now reached a "second founding of our Company," we will continue to take on the challenge of new innovation.

INNOVATIVE SERVICES PIONEERED BY CREDIT SAISON

Present: Total number of cardmembers surpassed 35 million



2010: Cards issued with new American Express centurion design

永久不滅.com

2006: Started Eikyufumetsu.com points website
Total number of cardmembers surpassed 20 million

永久不滅ポイント

2002: Started "Saison Eikyufumetsu Points"
("Saison Permanent Points" in English)

AMERICAN EXPRESS VISA MasterCard JCB

1997: Became first in the industry to establish an issuance system for the world's four largest credit card brands through an alliance with American Express

1992: Signature-less settlements introduced
Total number of cardmembers surpassed 10 million

1982: First cards issued with no annual fee
Established pioneering model for instant credit screening and card issuance
Began a nationwide network of Saison Counters to process Seibu Card issues

PORTER PRIZE

Our signature strategy of constantly introducing innovative services was recognized and honored with a 2012 Porter Prize.

The Porter Prize was created by the Hitotsubashi University Graduate School of International Corporate Strategy in 2001 to honor companies and business divisions that have succeeded with distinctive strategies. It is named after Harvard University professor, Michael E. Porter.

Results for Fiscal 2012

Credit card-based shopping has been growing in step with expansion of the areas in which credit cards can be used. However, revisions to the Money Lending Business Act caused a contraction in the market for cash advances on credit cards. As a result, management conditions remain highly challenging. Credit Saison has responded by working to build a foundation for new growth; we have been expanding cashless settlement services centered on credit cards, enhancing fee-based business using the Internet, and promoting non-bank financial functions like the lease and finance businesses. We have also made a full-scale entry into other Asian markets.

In the Credit Service Segment, our mainstay business, we continued to solicit members for the Saison American Express Card, for which high usage rates and spending per transaction are expected, and for affinity cards in tie-ups with partner companies. We also continued to appeal for new members using the Internet. As a result of these efforts we gained 3.38 million new card-members in fiscal 2012, an increase of 30% over the previous year. Total cardmembers were 24.82 million, a year-on-year rise of 70,000, and active cardmembers were 13.62 million, up 630,000 from the previous year-end, as we continued to steadily broaden our customer base.

In the credit card shopping business, transaction volume increased at a healthy rate, by 4.2% year on year to ¥3,547.0 billion. We provided cardmembers with special benefits when using their credit cards, in partnership with various companies. We also ran Regional Revitalization Campaigns in Ikebukuro, Sapporo, Fukuoka and other areas to stimulate new consumption, and promoted the use of credit cards for settlement of recurring payments like mobile phone bills.

The balance of cash advances declined, due to the lingering impact of restrictions on total loan amounts that went into effect with full enactment of the Money Lending Business Act. However, new users increased as more new cards were issued and transaction volume recovered to increase year on year beginning in December.

In the Lease Segment, we strengthened ties with existing customers and conducted sales activities to recruit new partner merchants. Lease transaction volume increased by 8.8% over last year, to ¥105.3 billion.

In the Finance Segment, revenue from the credit guarantee business continued to increase at a brisk pace. The business provides guarantees for free-loans to individuals and small business operators in partnership with credit unions and other local financial institutions around the country.

As a result, operating revenues increased by 0.2% year on year to ¥244.4 billion.

Regarding costs, the cost of uncollectible receivables dropped 24.6% year on year. Our receivables situation improved due to efforts to strengthen claim management and reduce the occurrence of claims requiring third-party intervention. In addition, we continued to streamline operations and our credit card joint ventures performed well for the year. Ordinary income therefore climbed 37.9% compared to last year to ¥53.2 billion and net income rose 246.6% to ¥32.7 billion.

RESULTS BY BUSINESS SEGMENT

(Billions of yen)

	Operating revenues		Operating income	
	2013	% change	2013	% change
Credit service	190.4	(4.2)	24.1	(10.9)
Lease	14.4	(1.6)	6.1	20.5
Finance	17.3	10.3	8.9	15.5
Real estate-related	9.8	220.6	0.9	—
Entertainment	13.5	4.6	2.1	1.9
Total	245.6	0.1	42.3	32.7
Inter-segment transactions	(1.2)	—	0.0	—
Consolidated	244.4	0.2	42.3	32.8

(Year ended March 31)

KEY INDICATORS (NON-CONSOLIDATED)

Figures in parentheses are change from the end of previous fiscal year

	2013	% change
New applications (millions)	3.38	30.0
New cards issued (millions)	2.51	28.1
Total cardmembers (millions)	24.82 (Up 0.07)	0.3
Active cardmembers (millions)	13.62 (Up 0.63)	4.7
Transaction volume	3,807.1	3.8
Card shopping (¥ billion)	3,547.0	4.2
Cash advances (¥ billion)	260.0	(2.6)

(Year ended March 31)

Business Breakdown

CREDIT SERVICE SEGMENT	LEASE SEGMENT	FINANCE SEGMENT	REAL ESTATE-RELATED SEGMENT	ENTERTAINMENT SEGMENT
■ Credit Card Shopping Business ■ Cash Advance Business ■ Processing Agency Business ■ Servicing Business	■ Lease Business ■ Rental Business	■ Credit Guarantee Business ■ Loans collateralized by real estate properties ■ Flat 35 (long-term, fixed-rate mortgage loans)	■ Real Estate Liquidation Business ■ Real Estate Leasing Business ■ Special Servicing Business	■ Amusement Business

Build the No. 1 System by Card Function on a Consolidated Basis

Initiatives for Increasing Card Issuances

In the credit business, tighter regulations under the Money Lending Business Act and Installment Sales Act have brought about changes in the earnings structure, and competition has intensified as the credit card industry has reorganized and industry outsiders have entered the market. The management environment surrounding the Credit Saison Group has grown more challenging as a result. In order to establish a foundation for medium-term growth under such conditions, Credit Saison and the joint ventures in the credit card business in which we have a stake intend to aggressively carry out promotions and further raise the appeal of our cards in an effort to be No. 1 in the industry in new cardmember acquisitions and transaction volume, and further increase our market share.

In particular, we are focusing on sales channels where high usage rates and profitability can be expected and stepping up new cardmember acquisition activities. To acquire new cardmembers for the Saison American Express Card and expand our base of premium cardmembers, we will develop new marketing channels through full-scale entry into corporate and occupational domains, including trading companies, and acquire new cardmembers by raising the appeal of our products through service alliances in various industries.

In addition, we will work in close coordination with our alliance partners in growth areas like communications, travel and shopping malls, where transaction volume has been increasing as the use of smartphones has become more widespread.

Efforts to acquire new cardmembers through online channels included opening a new online branch and bolstering marketing promotions, which resulted in 540,000 new cardmembers, an increase of 217% over the previous year. We intend to continue focusing on acquiring new cardmembers through our online channel as it allows us to promote cards with superior usage rates while keeping costs in check.

Issued Cards—Examples

Strategic Premium Cards

SAISON Platinum American Express® Card

SAISON Gold American Express® Card

SAISON Blue American Express® Card

SAISON Pearl American Express® Card

Main Retail Affiliate Cards

Seiyu G.K.
Walmart Japan Holdings G.K.

PARCO CO., LTD.

Ryohin Keikaku Co., Ltd.

Takashimaya Company, Limited

Yamada Denki Co., Ltd.
All Nippon Airways Co., Ltd.

Mitsui Fudosan Co., Ltd.
Mitsui Fudosan Retail Management Co., Ltd.

Mitsui Fudosan Co., Ltd.

LAWSON, INC.
Japan Airlines Co., Ltd.

Active Efforts to Promote Use

In order to encourage greater use of Credit Saison cards, we will differentiate ourselves from other companies by adding appeal through better card services and other bonuses as a way to increase transaction volume. For example, we are running discount services that provides a 5% discount at PARCO and Seiyu stores and other discounts at affiliated retailers when customers use our cards, a double-your-points program, and a program that allows Eikyufumetsu Points to be exchanged for gift certificates at affiliated merchants.

In addition, in the previous fiscal year, we partnered with local department stores, specialty stores and other retailers in Ikebukuro, Sapporo and Fukuoka, as well as with other card companies, to run Regional Revitalization Campaigns aimed at promoting card use, increasing sales at local retailers and providing a boost to local economies.

The campaigns for Ikebukuro and Shibuya included a demonstration trial of online-to-offline, or O2O, services, which use the Internet to promote customer visits and spending at stores. We will leverage this experience in marketing activities going forward and are planning campaigns this year in major cities throughout the country, including Sendai and Hiroshima, as we carry out measures to stimulate consumption and raise the satisfaction levels of customers and merchants.

Communications Company Affiliate Cards


KDDI CORPORATION


SoftBank Mobile Corp.


Jupiter Telecommunications Co., Ltd.


WOWOW INC.

Airline and Railway Affiliate Cards


SEIBU HOLDINGS INC.


United Airlines, Inc.


Tokyo Metro Co., Ltd.


Japan Automobile Federation

Other


SAISON CARD International


UC Card


Mizuho Bank, Ltd.


Japan Football Association

Expanding Settlement Platforms

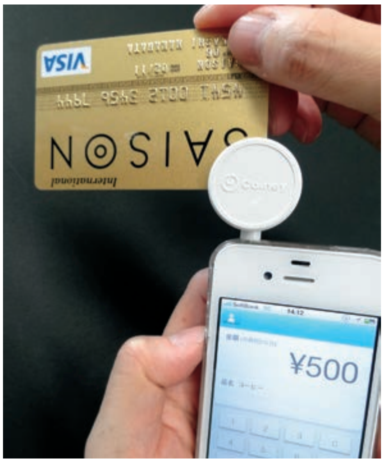
Credit card settlement accounts for approximately ¥34 trillion, or 12%, of Japan's ¥278 trillion annual private final consumption spending, whereas cash accounts for 56%. Given this fact, Credit Saison is focusing not only on credit cards but also on measures to break the dominance of the cash market through expanding settlement platforms, which includes issuing prepaid cards and developing smartphone settlement services.

Since August 2011, in partnership with travel companies and universities, we have been strengthening efforts to acquire cardmembers for NEO Money, a prepaid card exclusively for overseas travelers on vacation, business, or study abroad programs, and we have begun working to expand the network of affiliated stores in Japan for China UnionPay, an international brand that operates an interbank settlement network in China.

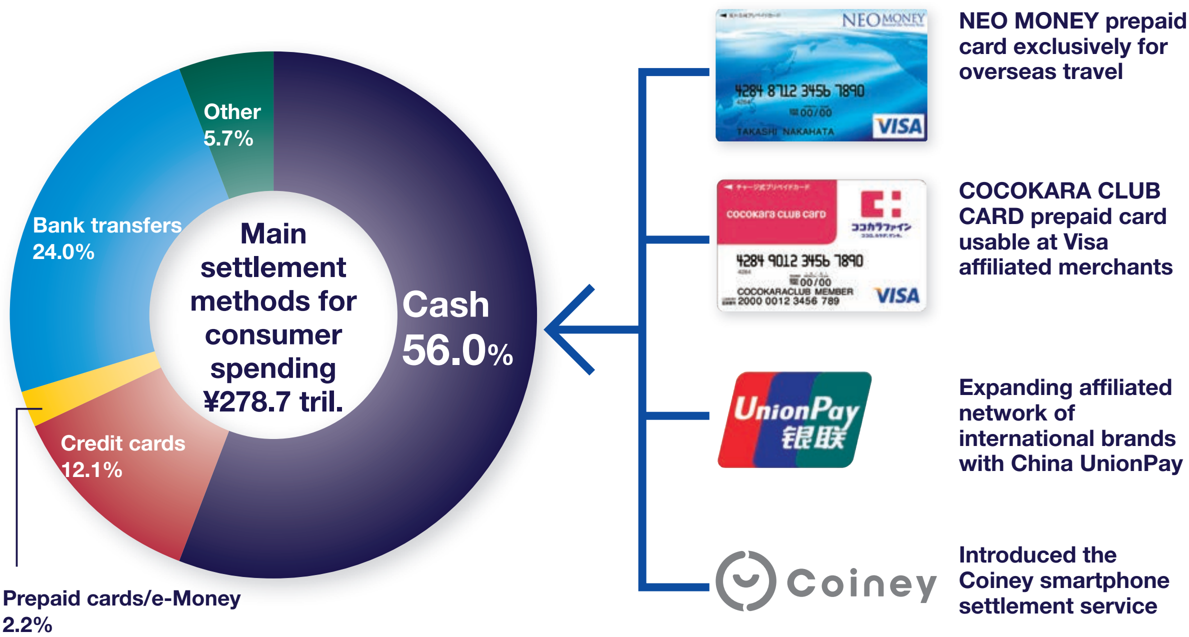
In April 2013, we partnered with the major drug store chain cocokara fine Inc. to issue the COCOKARA CLUB CARD, Japan's first Visa prepaid card that can be used at Visa affiliated merchants in Japan and overseas. The card also functions as a point card, so customers can accumulate points and use them to make purchases at Visa affiliated merchants around the world. The card serves as a new, more convenient way to shop at drug stores, where cash has been the dominant payment method.

We also introduced Coiney, a smartphone settlement service, through a business alliance with its developer Coiney, Inc. and began soliciting affiliated merchants in April 2013. We intend to strengthen our partnership with Coiney, further diversify the arenas where cards with smartphone-enhanced functionality are used, and continue working to expand the credit card settlement market.

By adding new settlement services, such as prepaid services, to our existing credit card offerings, we will establish a source of revenue from the cashless settlement market going forward.



The Coiney smartphone settlement service



*Estimated by Credit Saison based on the New Payment Report, and published materials from the Ministry of Economy, Trade and Industry, Mitsubishi UFJ Research & Consulting, and various companies (fiscal 2011).

Strengthening the Fee-based Business Using the Internet

One of our strategic priorities is to make the Internet business a core business. As a result of our efforts to provide information to new cardmembers and encourage them to register as Internet members, the number of Internet members as of March 31, 2013 had increased by 23.0% over the previous year to 8.56 million. In addition, the number of members registered to view Web-based usage statements, which enable users to easily check their usage statements at any time over the Internet, increased by 36.1% to 4.75 million.

Eikyufumetsu.com is an online shopping network where Eikyufumetsu Points accrue with purchases, up to 20 times more than with regular purchases. The network has grown to more than 500 sites and 50,000 online shops in the roughly six and a half years since it was started and now boasts an annual transaction volume of approximately ¥50.0 billion. Last fiscal year, we worked to broaden our exposure in the mass media by increasing our visibility through television commercials and other promotional activities and to further increase the appeal of Eikyufumetsu.com by expanding the range of services through which points can be accrued.

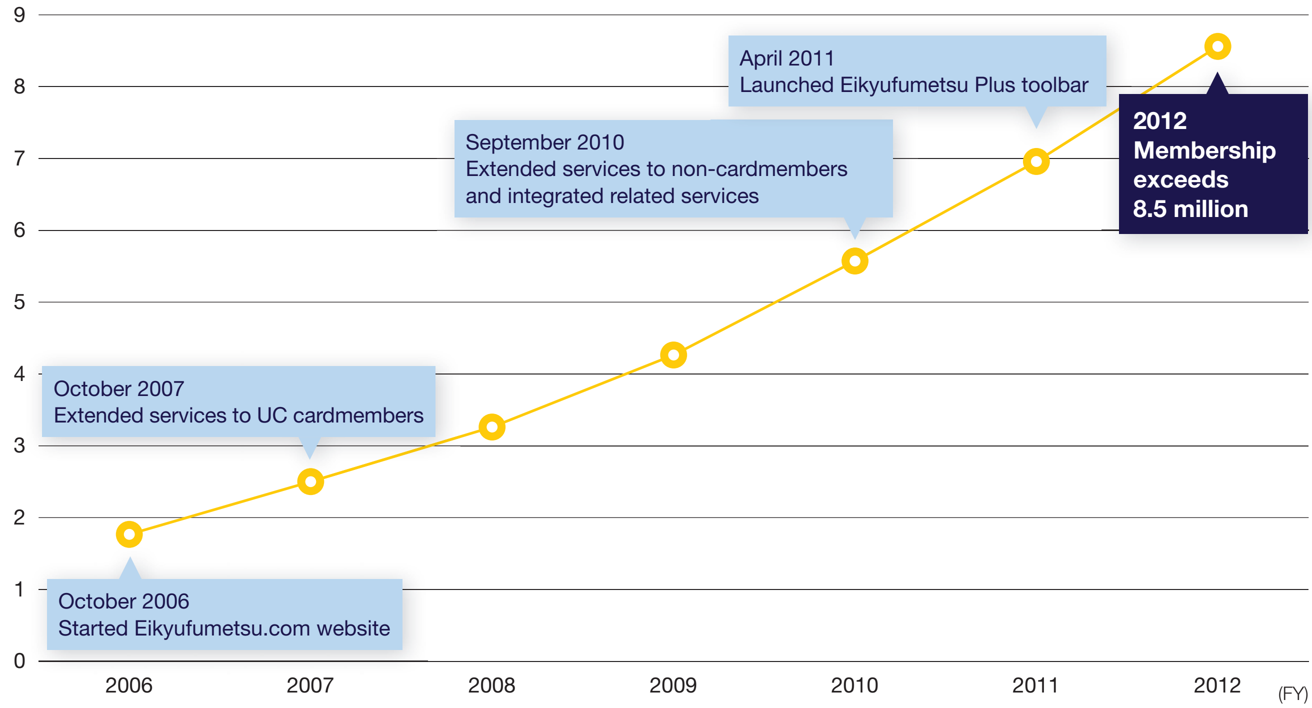
In fiscal 2013, we intend to convert from a shop-centered site to a site centered on appealing products, improve site usability, and strengthen business support for the site's merchants.

With a view to capturing even more of the Internet market, where major growth is still expected going forward, we will reinforce Internet member services and bolster alliances with prominent Internet companies to expand our Internet business, including the Eikyufumetsu.com point site and Eikyufumetsu Wallet service (online shopping with Eikyufumetsu points), and firmly establish a business model for fee-based businesses.

By combining our base of approximately 35 million cardmembers with our Internet business, we will work to create advertising and marketing that utilizes customer information gathered online, such as customer attributes, activity histories and purchase records.

Internet Membership

(Million people)



Further Progress in Development as a Non-bank Finance Company

Since our foundation, we have used the expertise in credit and collection operations for individuals and individual business owners that we built up in our core credit card business to also develop non-bank financial services. These include lease and rental services, credit guarantee services, and Flat 35 long-term, fixed-rate mortgage loans.

The management environment in the credit card business continues to change dramatically under the influence of laws and regulations. Credit Saison has met this challenge by focusing on the non-bank financial services sector as a key area, under its medium-term management concept of aspiring to be a non-bank finance company with multiple revenue sources, through collaborative management. As a result, these non-bank finance operations have expanded steadily, and are on track for further growth.

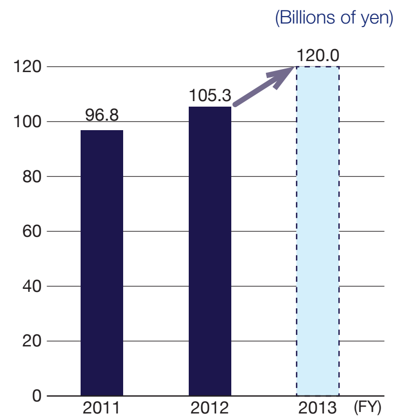
Credit Saison will continue to promote further development as a non-bank finance company, and to diversify its revenue sources, while pursuing synergies with the credit card business. Our goal is to achieve a steady increase in our corporate value over the medium- to long-term.

Lease Business

Leveraging our strengths in credit screening expertise and speed, we work in partnership with some 2,000 dealers around the country to handle leases and rentals for office equipment like copiers and multifunction printers, telephones and other communication equipment, LED lighting, and more.

In fiscal 2013, we will bolster our approaches and support operations that are finely matched to the characteristics of our dealers. At the same time, we will strengthen our existing vendor lease activities by expanding our partnerships with new dealers. We will also widen the lease sales channel by approaching related business partners and users. By working to develop new products that match the needs of the market, such as medical equipment and industrial tools and machinery, we aim to increase transaction volume by 14% year on year, to ¥120.0 billion.

Lease Transaction Volume

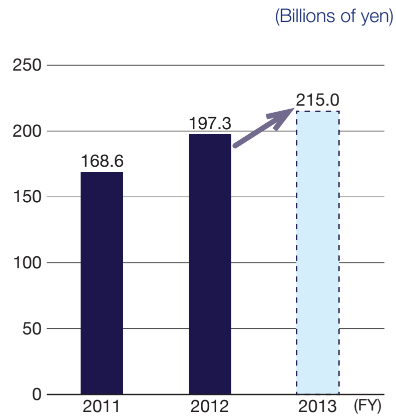


Credit Guarantee Business

Partnering with some 350 credit unions and credit associations and other locally rooted financial institutions, we are promoting guarantee services specializing in unsecured free-loans to individuals.

Based on our expertise as a retail credit card company, which is our strength, we have leveraged our marketing capabilities to obtain a detailed understanding of customer needs. Based on this, we developed a loan product—a free loan that can also be used for business purposes. This loan integrates the characteristics of Credit Saison and a financial institution to provide three features: 1) versatility in the loan purpose, 2) simple application procedures, and 3) a fast credit screening result. Another special feature of the loans is wide-ranging promotional support for loan marketing through financial institutions. The loan has enjoyed widespread support from local financial institutions and customers.

Credit Guarantee Balance



In fiscal 2013, we intend to help drive increased transaction volume at existing partner financial institutions in order to build even stronger relationships with them, while increasing our partner list by 25, and seeking to increase the guarantee balance by 9% over last year to ¥215.0 billion.

Other Finance Business

The long-term fixed-rate mortgage loan program Flat 35 continued to provide full 100% financing for home purchases when used in combination with the Flat 35 Plus program, which we began handling in fiscal 2011. Customers responded positively to advantages provided to cardmembers, and a sense of trust and confidence in the Saison brand, developed through our credit card business. The loan balance as of March 31, 2013 was ¥153.5 billion.

In January 2013 we added an additional product to our loan lineup: Saison Asset Formation Loans. These are loans for purchasing condominiums for investment, and seek to meet demand for asset formation via condominium management. With this new product, we can also offer services for customers considering the purchase of a condominium for investment purposes, as well as for a residence. These services have been well received.

In fiscal 2013, we will strengthen marketing activities with a view to becoming the No. 1 company in the Flat 35 loan market, and work to increase transaction volume by 12% year on year to ¥54.0 billion. Additionally, we will work to make asset formation loans a new revenue pillar, by increasing partnerships and building up the balance to ¥24.0 billion. At the same time we will increase quality real estate mortgage loans, primarily non-recourse loans, and develop new finance businesses aligned with market needs.

Full-scale Entry into the Retail Finance Market in Asia

In the Asian market, especially the ASEAN region, where remarkable economic growth is occurring, Credit Saison is taking its first steps toward sustained, long-term growth by working to create business schemes in the region. Specifically, we will apply the know-how we have developed in Japan with regard to the card business, installment purchasing and loan business, to meet Asian market needs and quickly commercialize retail finance operations.

In June 2012, we established a local representative office in Hanoi, Vietnam to acquire a non-bank license and begin providing installment purchasing and finance products. Further, in April 2013, also in Hanoi, we established a consulting company to provide relevant expertise to support the development of retail finance businesses by local companies, and launched consulting services for local financial institutions.

In March 2013, we formed a capital and business alliance with econtext ASIA Ltd., an online settlement firm in the Digital Garage Group, and agreed to jointly promote development and provision of settlement services and e-commerce infrastructure in the Asian market, including Japan. Drawing on the business resources and know-how of both companies, we will actively work to develop and promote new schemes that provide new value for customers and affiliated merchants.

Going forward, we intend to expand our business domain through partnerships with prominent Japanese affiliated companies in Asia, and with local companies, to prepare the way for our medium/long-term overseas strategy aimed at entering markets in Indonesia, Malaysia, the Philippines and other parts of Asia.

BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

(As of June 30, 2013)

Hiroshi Rinno

President and CEO

Head of Audit Office and Credit Card Division

Teruyuki Maekawa

Representative Executive Vice President

Head of Public Relations Office, General Affairs Dept., Strategic Human Resources Dept. and System Planning Dept.

Naoki Takahashi

Representative Senior Managing Director

Head of Corporate Planning Dept., Credit Division and Internet Business Division

Haruhisa Kaneko

Managing Director

Head of Overseas Business Division

Hiroshi Yamamoto

Managing Director

Head of Customer Satisfaction Promotion office and Finance Division, Leasing & Rental Business Dept.

Masahiro Yamashita

Managing Director

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

Junji Kakusho

Managing Director

General Manager, Credit Card Division Internet Business Division

Kazuhiro Hirase

Director

General Manager, Sales Development Division

Sadamu Shimizu

Director

General Manager, Finance Division Retail Business Dept .No. 1 and Retail Business Dept. No. 2

Akihiro Matsuda

Director

General Manager, Credit Division Financial & Corporate Business Dept. and Mizuho-Alliance Development Dept.

Teruhisa Aoyama

Director

Head of Treasury & Account Dept.

Yoshihisa Yamamoto

Director

System Planning Dept.

Tatsunari Okamoto

Director

Head of Compliance Dept. T&E/Service Business Dept., Web Branch, Card Finance Dept. and Settlement Development Dept.

Katsumi Mizuno

Director

Business Planning Dept. General Manager, Overseas Business Division and Overseas Business Strategy Dept.

Yasuhisa Ueno

Director (Outside)

Yoshitaka Murakami

Standing Audit & Supervisory Board Member (Outside)

Masaru Sakurai

Standing Audit & Supervisory Board Member (Outside)

Yoshirou Yamamoto

Audit & Supervisory Board Member

Atsushi Toki

Audit & Supervisory Board Member (Outside)

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

Corporate Governance System

The Board of Directors consists of 15 directors, including one outside director. It decides important management matters and supervises the directors' performance. The Company aims to maintain and improve the efficiency of management by having the outside director attend Board of Directors meetings and other important meetings and offer advice and proposals to ensure that decision making in management is appropriate and correct.

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

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

The Company has introduced a statutory auditor system. The Audit & Supervisory Board consists of four statutory Audit & Supervisory Board Members, three being independent executives from outside the Company who are not likely to have a conflict of interest with general shareholders. The statutory Audit & Supervisory Board Members conduct rigorous audits by attending Board of Directors meetings and other important meetings, reading important resolution documents, and examining the conduct of business and the state of the Company's assets.

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

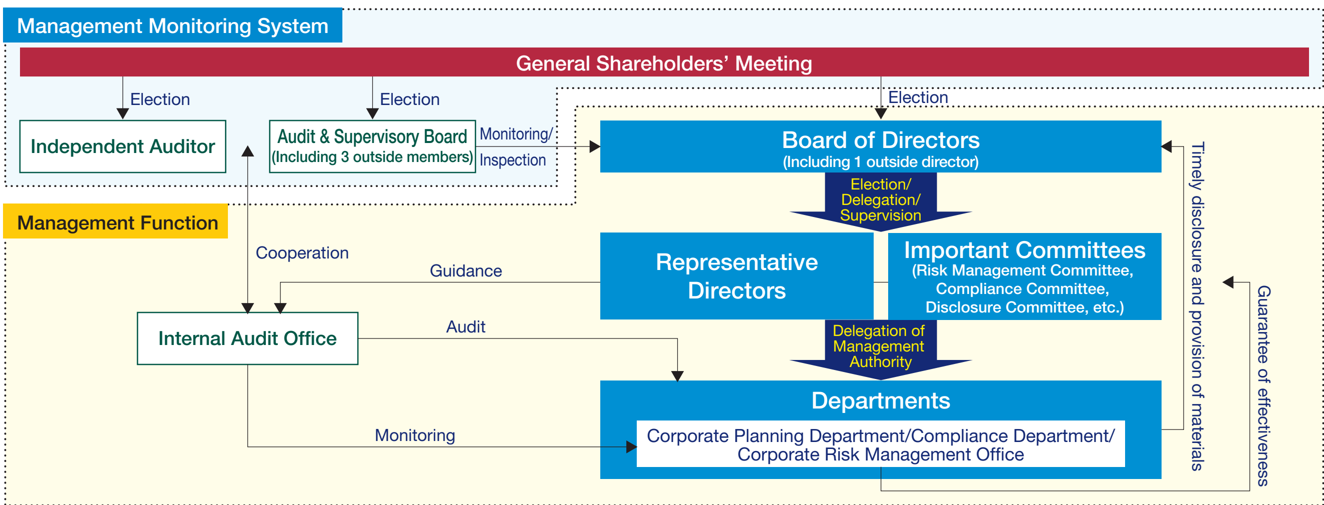
To assist the statutory Audit & Supervisory Board Members in their duties, the Company has established the Audit & Supervisory Board Members' Secretariat, which retains independence from the operating divisions (members serve concurrently in the Internal Control Division).

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

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

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

Corporate Governance Structure



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

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

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

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

Selection Criteria for Outside Executives

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

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

The outside director is briefed on the audit results of the statutory Audit & Supervisory Board Members' audits and accounting audits at meetings of the Board of Directors. The outside director cooperates with the Internal Audit Office, which is an internal audit division, and the Corporate Planning Department, which is an internal control division, by receiving briefings on the status of business execution from each division, and other means.

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

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

Organization format	Company with statutory Audit & Supervisory Board Members
Number of directors stipulated by the Articles of Incorporation	Up to 25
Term of office for directors stipulated by the Articles of Incorporation	1 year
Chairman of the Board of Directors	President
Number of directors	15
Appointment of outside directors	Appointed
Number of outside directors	1
Number of outside directors designated as independent executives	0
Appointment of outside statutory Audit & Supervisory Board Members	Appointed
Number of outside statutory Audit & Supervisory Board Members	3
Number of outside statutory Audit & Supervisory Board Members designated as independent executives	3

Remuneration for Directors and Statutory Audit & Supervisory Board Members

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

Remuneration, etc., paid to directors and statutory Audit & Supervisory Board Members in fiscal 2012 was as follows:

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

Position	Total remuneration amount (Millions of yen)	Total amount of remuneration by type (Millions of yen)		Number of persons
		Basic remuneration	Bonuses	
Directors (Excluding outside directors)	495	375	120	14
Statutory Audit & Supervisory Board Members (Excluding outside statutory Audit & Supervisory Board Members)	8	8	—	1
Outside executives	39	39	—	4

Notes: 1. The total amount of remuneration paid to directors does not include the employee salary amount in the case of employees who serve concurrently as directors.
2. As of March 31, 2013, the Company had 15 directors and 4 statutory Audit & Supervisory Board Members.

Remuneration for Independent Auditors

Remuneration based on duties performed pursuant to Article 2, Paragraph 1 of the Certified Public Accountants Law: ¥97 million
Remuneration based on non-audit duties: ¥1 million

Overview of Internal Control Systems

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

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

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

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

Rigorous Implementation and Enhancement of Compliance

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

The director who serves as Head of the Compliance Dept. chairs the Compliance Committee, which reports to the Board of Directors. To discuss compliance-related matters, the Committee convenes several times a year.

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

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

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

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

Security and Reliability of Information Systems

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

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

Risk Management

To prevent and appropriately respond to risk, the Company has formulated Risk Management Regulations and Regulations Concerning Management of Risk of Loss and, through the Risk Management Committee and the Corporate Risk Management Office of the Corporate Planning Department, works to prevent risks from materializing and minimize the effect on the Company when risks become apparent. To this end, the Company conducts periodic internal education and training for people working with the Risk Management Regulations, Regulations Concerning Management of Risk of Loss and Crisis Management Regulations, and the Board of Directors periodically examines the regulations and issues revisions and improvements. In this way, the Company strives to maintain its risk management systems.

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

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

Proactive Disclosure of Information

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

URL for corporate and IR information:
corporate.saisoncard.co.jp/en/

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Our vision is to become a leading-edge service company. We regard our customers, business partners, employees, shareholders and society at large as our stakeholders, and we work to create customer satisfaction, provide returns to our shareholders, respect the mutual interests of ourselves and our business partners, and instill shared ideals and goals in our employees. In this way we strive to fulfill our social responsibilities, which are vital to realizing our management philosophy.

The Credit Saison Approach to CSR

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

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

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

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

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

■ Appropriate management of private information

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

■ Preventing excessive indebtedness

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

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

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

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

■ Resolving employment issues

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

Operation of Akagi Nature Park

Activities for Passing Nature's Bounty on to the Next Generation

Credit Saison operates Akagi Nature Park, an expansive forest preserve of approximately 120 hectares on the southwest foothills of Mount Akagi in Gunma Prefecture. Originally a secondary man-made cedar forest, the park has been reclaimed over 20 years under a policy of establishing a nurturing environment for plants to grow, rather than planting a flower garden. Today the park is home to a variety of insects, animals, wild flowers, trees, and rare plants. It is a great place to encounter the beauty of Japan's four seasons firsthand.

The park attracted about 29,000 visitors in fiscal 2012. Through various programs, including guided tours of the grounds and eco-craft activities using the nuts from trees, we offer park visitors the opportunity to appreciate the wonder of nature and the importance of environmental conservation.

We hope that by operating the park, we can pass on its abundant natural treasures to future generations.

赤城自然園
Akagi Nature Park

akagishizenen.jp

The following companies support our activities to preserve nature at Akagi Nature Park.
(As of August 31, 2012)

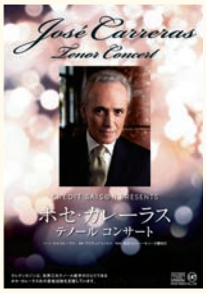
Social Contribution Activities

Support for Sport and Culture

Credit Saison is also passionately involved in social contribution through its support of sports and cultural activities.

In sports, we have been a supporting company and corporate sponsor of various Japanese national football teams, including the SAMURAI BLUE Men's National Team and the NADESHIKO JAPAN Women's National Team.

In cultural activities, we are a corporate sponsor of the musical career of José Carreras, an opera singer and one of The Three Tenors famous throughout the world, as well as a corporate endorser of and donor to the José Carreras Leukemia Foundation.



©J.LEAGUE PHOTOS
Starting players in the Men's National Team playing Latvia in the KIRIN CHALLENGE CUP (February 6, 2013)

Donations Using Eikyufumetsu Points

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

Japan Soccer Representatives Support Fund

100 Points

Donations to the Japan Football Association

Support for Rearing Guide Dogs

200 Points

Donations to the Japan Guide Dog Association

Support for Protecting the Earth

200 Points

Donations to the Japan Fund for Global Environment

Environmental Protection at the Akagi Nature Park

100 Points

Donations used in nature preservation activities

Support for School Meals for Children in Developing Countries

200 Points

Donations to the Japan Association for the World Food Programme, the public support contact point for the United Nations World Food Programme

Protection of Coral

200 Points

Donations to Project AWARE

SIX-YEAR SUMMARY OF SELECT FINANCIAL DATA

As of and for the years ended March 31

	Millions of yen						Thousands of U.S. dollars (Note 4)
	2013	2012	2011	2010	2009	2008	2013
CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	¥ 244,405	¥ 244,009	¥ 285,713	¥ 306,855	¥ 327,089	¥ 345,586	$ 2,595,912
Selling, general and administrative expenses	187,171	192,185	235,759	246,305	268,658	265,493	1,988,005
Financial costs	14,922	19,958	22,577	24,377	23,882	22,901	158,495
Operating income	42,312	31,866	27,377	36,173	34,548	57,191	449,412
Net income (loss)	32,770	9,454	12,830	18,680	(55,513)	26,755	348,062
At year-end:							
Total equity	¥ 394,868	¥ 355,727	¥ 347,916	¥ 341,405	¥ 320,595	¥ 418,661	$ 4,194,037
Total assets	2,141,802	2,155,906	2,231,247	2,374,129	2,407,064	2,450,637	22,748,828
Interest-bearing debt (Note 2)	1,359,856	1,409,802	1,657,832	1,776,827	1,893,017	1,854,056	14,443,505
Per share data (in yen and U.S. dollars)**:**							
Net income (loss) per share	¥ 178.45	¥ 51.48	¥ 69.86	¥ 102.48	¥ (308.25)	¥ 148.78	$ 1.90
Equity per share	2,131.58	1,920.65	1,879.98	1,845.82	1,766.95	2,147.04	22.64
Key financial ratios (%)**:**							
Return on equity (ROE)	8.8	2.7	3.8	5.7	—	7.1	
Return on assets (ROA)	1.5	0.4	0.6	0.8	—	1.1	
Equity ratio	18.3	16.4	15.5	14.3	13.2	15.8	
NON-CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	¥ 204,121	¥ 210,207	¥ 239,657	¥ 257,924	¥ 270,900	¥ 277,741	$ 2,168,045
Selling, general and administrative expenses	149,844	153,505	194,194	205,042	220,708	223,815	1,591,553
Financial costs	16,882	18,809	19,977	22,221	21,530	20,322	179,313
Operating income	37,394	37,893	25,484	30,661	28,661	33,603	397,179
Net income (loss)	24,147	5,613	7,596	16,137	(44,972)	24,578	256,475
At year-end:							
Total equity	¥ 349,202	¥ 322,502	¥ 320,303	¥ 319,712	¥ 304,230	¥ 361,519	$ 3,708,997
Total assets	2,051,908	2,059,435	2,097,773	2,200,459	2,220,791	2,066,513	21,794,038
Interest-bearing debt (Note 2)	1,334,302	1,364,960	1,571,610	1,645,206	1,748,245	1,554,629	14,172,087
Key financial ratios (%)**:**							
Return on equity (ROE)	7.2	1.8	2.4	5.2	—	6.9	
Return on assets (ROA)	1.2	0.3	0.4	0.7	—	1.2	
Equity ratio	17.0	15.7	15.3	14.5	13.7	17.5	
NON-CONSOLIDATED							
Transaction volume:							
Card shopping	¥3,547,050	¥3,402,494	¥3,953,411	¥3,844,670	¥3,891,076	¥3,758,545	$37,674,466
Cash advances	260,089	266,904	371,403	604,347	765,385	836,623	2,762,498
Specialty loans	32,949	34,597	36,514	43,768	326,170	279,970	349,974
Agency services (Note 3)	2,166,062	2,112,431	1,362,275	1,310,419	1,347,260	1,269,578	23,006,504
Leases	105,356	96,852	92,709	100,893	100,272	88,273	1,119,023
Guarantees	115,297	92,837	73,375	85,637	107,532	103,302	1,224,611
Others	23,868	20,482	22,894	23,380	22,475	22,278	253,524
Total transaction volume	¥6,250,675	¥6,026,599	¥5,912,587	¥6,013,118	¥6,560,174	¥6,358,572	$66,390,600

Notes: 1. Operating revenues do not include consumption taxes.
2. Interest-bearing debt includes asset-backed securities.
3. Agency services show transactions handled on behalf of other companies' cards.
4. Japanese yen amounts have been translated into U.S. dollars at the rate of ¥94.15 = U.S.$1, the approximate exchange rate on March 31, 2013, for the convenience of the reader.

I. THE CREDIT SAISON GROUP

The Credit Saison Group has five business segments: Credit Service Business, Lease Business, Finance Business, Real Estate-related Business and Entertainment Business. The Credit Service Business segment is the Credit Saison Group's most important segment, and generated approximately 78% of total consolidated operating revenues in fiscal 2012.

The Credit Saison Group's operating revenues are generated primarily in the mainstay Credit Service Business. These consist of fees from affiliated stores generated via credit cards and interest and fees from customers generated via revolving credit, cash advances, specialty loans and other transactions.

Operating expenses mainly comprise advertising expenses, point redemption costs, credit cost, personnel expenses, fees and financial costs.

II. ANALYSIS OF INCOME STATEMENTS

1. Market Environment

In fiscal 2012, the Japanese economy remained on a gradual recovery path, underpinned chiefly by demand related to the recovery from the Great East Japan Earthquake. Following the change in Japan's government at the end of 2012, anticipation for the new administration's economic policies, most notably the Bank of Japan's dramatic monetary easing policy, has fueled higher expectations for an economic recovery, as evidenced by a correction to the yen's excessive appreciation and rising stock prices.

In the non-bank industry, the Company's principal business sector, credit card-based shopping has been growing in step with expansion of the areas in which credit cards can be used. However, revisions to the Money Lending Business Act caused a contraction in the market for cash advances on credit cards. As a result, the non-bank industry continued to face a challenging business environment.

2. Operating Revenues

In fiscal 2012, operating revenues increased by 0.2% year on year to ¥244,405 million. In the mainstay Credit Service Business, the Company worked to expand its customer base by stepping up efforts to acquire new members for Saison American Express® Card, which is expected to have a high active ratio and high spending per transaction. The Company also stepped up cardmember enrollment activities using the Internet, while working closely with partner merchants to increase cardmember enrollment in affinity cards.

In measures to expand card shopping transaction volume, the Company worked to build a business model where Credit Saison and a diverse array of companies in the travel, services, and other sectors encourage customers to use each other's services by providing special benefits when customers use credit cards. In addition, the Company cooperated with merchants and other partners in various areas, such as Ikebukuro and Sapporo, to conduct the Regional Revitalization Campaign aimed at creating new sources of consumption through credit card use. Another measure was to encourage consumers to choose credit cards as a means of settling recurring payments such as mobile phone charges. Through these and other measures, card shopping transaction volume increased steadily by 4.2% year on year to ¥3,547.0 billion.

Furthermore, in initiatives to strengthen earnings power using the Internet, the Company increased the number of Internet members by 23.0% year on year to 8.56 million. At the same time, the Company worked to enhance the appeal of Eikyufumetsu.com, a shopping points website where consumers can accumulate Eikyufumetsu Points ("Saison Permanent Points" in English) through Internet shopping and other means. Efforts were also focused on expanding the number of users of this site. Through these and other measures, the Company focused on expanding fee-based businesses.

However, cash advance revenues declined as the balance of cash advances on cards decreased by 16.9% year on year to ¥267.5 billion mainly due to effects of revisions to the Money Lending Business Act. As a result, overall segment operating revenues for the Credit Service Business in fiscal 2012 declined from the previous fiscal year.

In the Lease Business, transaction volume rose 8.8% year on year to ¥105.3 billion as a result of efforts to strengthen trusting relationships with existing lease customers and to acquire new partner merchants.

In the Finance Business, operating revenues increased, mainly on the back of steady year-on-year growth of 17.0% in the balance of credit guarantees to ¥197.3 billion in the credit guarantee business. This growth was supported by close cooperation with partner financial institutions on both the sales and management fronts.

In the Real Estate-related Business, operating revenues increased, mainly reflecting the recording of a loss on reappraisal of assets by the consolidated subsidiary Atrium in the previous fiscal

BREAKDOWN OF SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSES

(Millions of yen)

	2013	2012	% change
Cost of uncollectible receivables	**23,130**	30,672	(24.6)
Included in the above:			
Allowance for losses on accounts receivable	**14,235**	20,736	(31.4)
Losses on accounts receivable	**2**	2	9.6
Provision for losses on interest repayment	**5,729**	6,974	(17.9)
Allowance for losses on guarantees	**3,162**	2,958	6.9
SG&A expenses excluding cost of uncollectible receivables	**164,040**	161,512	1.6
Included in the above:			
Advertising expenses	**17,263**	13,580	27.1
Provision for point program	**7,908**	11,719	(32.5)
Personnel expenses	**42,354**	40,686	4.1
Fees paid	**52,441**	49,197	6.6
Total SG&A expenses	**187,171**	192,184	(2.6)

(Years ended March 31)

year. In line with the restructuring of the Real Estate-related Business, we have separated this business into retained business and withdrawn business. Revenues and expenses related to withdrawn business have been recorded under non-operating revenues and expenses from the fiscal year under review.

In the Entertainment Business, sales increased compared with the previous fiscal year, when sales were impacted by the suspension of operations and reduced operating hours at stores due to the Great East Japan Earthquake. As a result, the Entertainment Business recorded higher operating revenues year on year.

3. Operating Expenses and Operating Income

During fiscal 2012, the Credit Saison Group saw operating expenses decline 4.7% year on year to ¥202,093 million. This was mainly the result of a 24.6% year-on-year decline in the credit cost to ¥23,130 million as the Group continued to improve the quality of its receivables by strengthening the management of receivables, and the number of receivables handled by third parties such as attorneys and certified judicial scriveners continued to fall. Consequently, operating income rose 32.8% year on year to ¥42,312 million.

4. Non-operating Revenues and Expenses

Total non-operating revenues decreased 44.6% year on year to ¥11,196 million.

Total non-operating expenses decreased 98.9% from the previous fiscal year to ¥695 million.

III. POLICY FOR RETURN TO SHAREHOLDERS

To raise shareholder value, Credit Saison places high importance on initiatives to reinforce our corporate structure and to continuously expand our businesses. Our fundamental policy for shareholder returns calls for steady enlargement of internal reserves to realize the initiatives described above, while delivering appropriate, stable and continuous dividend payments to our shareholders.

The Company plans to invest internal reserves efficiently in order to achieve low-cost operations and continuously expand its businesses.

1. Dividend per Share

Based on its dividend policy, Credit Saison declared annual dividends of ¥30 per share for fiscal 2012.

IV. REVIEW OF OPERATIONS BY SEGMENT

1. Credit Service Business Segment

This segment consists of the credit card shopping business, servicing (loan collection agency) business and other businesses. In the Credit Service Business Segment, the areas in which people are using credit cards continue to expand each year. There is an ongoing shift in the mainstream from cash to cashless settlements as people increasingly use credit cards for settlements of small amounts, as well as for online shopping. On the other hand, the credit card sector is expected to continue to face a difficult business environment given that the contraction in the cash advance market following the revision of the Money Lending Business Act has compelled companies to transform their business models and take other actions to reform their businesses.

In this business climate, Credit Saison worked to reinforce its operating revenue base by expanding cashless settlement services, mainly through credit cards, and by tackling the challenge of making the Internet business a core operation, along with full-scale business participation in the Asian region. At the same time, the Group has been working to improve operational efficiency, mainly by strengthening measures to deal with credit risks and revising the cost structure based on a cost-benefit analysis.

However, the effects of revisions to the Money Lending Business Act brought restrictions on total lending into effect that have reduced cash advance revenues.

As a result, segment operating revenues for fiscal 2012 declined by 4.2% year on year to ¥190,484 million, while segment profit decreased by 10.9% to ¥24,192 million.

1) Credit Card Shopping Business

The number of new cards issued for fiscal 2012 was 2.51 million, an increase of 28.2% year on year, and the total number of cardmembers as of March 31, 2013 was up 0.3% from the previous fiscal year-end at 24.82 million. The number of active card members for the year was 13.62 million, up 4.8% from the previous year.

The card shopping transaction volume was ¥3,547.0 billion, up 4.2% year on year, and the shopping-related revolving credit balance as of March 31, 2013 was ¥260,300 million, down 0.7%.

The balance of cash advances on cards was ¥267.5 billion, down 16.9%.

OPERATING REVENUES AND OPERATING INCOME BY SEGMENT

(Millions of yen)

	Operating Revenues			Operating Income (Loss)		
	2013	2012	% growth	**2013**	2012	% growth
Credit Service	**190,484**	198,875	(4.2)	**24,192**	27,161	(10.9)
Lease	**14,434**	14,670	(1.6)	**6,147**	5,099	20.5
Finance	**17,327**	15,715	10.3	**8,985**	7,781	15.5
Real Estate-related	**9,807**	3,059	220.6	**955**	(10,174)	–
Entertainment	**13,597**	12,999	4.6	**2,104**	2,066	1.9
Total	**245,649**	245,318	0.1	**42,383**	31,933	32.7
Eliminations or corporate	**(1,244)**	(1,309)	–	**(71)**	(67)	–
Consolidated	**244,405**	244,009	0.2	**42,312**	31,866	32.8

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

(Years ended March 31)

■ Key Initiatives in the Credit Card Shopping Business During Fiscal 2012

Enhancing Cashless Settlement Services Through Credit Cards

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

One of Credit Saison's priority strategies is to enhance premium cards offering prospects for high utilization and high spending per transaction. Accordingly, we continued to strengthen cardmember enrollment activities for the Saison American Express® Card series, which features a lineup of four high-status premium cards that can be chosen according to customer lifestyles.

One of these enrollment activities involves forming alliances with various kinds of companies that meet the needs of American Express cardmembers. By offering cardmembers service-based perks, Credit Saison and its alliance partners can effectively encourage our respective customers to use each company's services. Through this approach, Credit Saison strove to expand the number of new cardmembers.

Credit Saison used Internet-based channels to step up the enrollment of cardmembers who are highly active in using their cards. In addition, the Company implemented measures to jointly enroll new cardmembers with partner companies and to expand sales at partner companies. These measures included discount services offered when using cards at affiliated retailers, double-your-points program, and a program that allows Eikyufumetsu Points to be exchanged for gift certificates at affiliated merchants.

In another initiative to encourage greater card use, Credit Saison partnered with local department stores, specialty stores and other retailers in Ikebukuro, Sapporo and Fukuoka, as well as with other card companies, to run Regional Revitalization Campaigns, which aim to contribute to increased card use, higher merchant sales and the revitalization of towns. In this manner, the Company implemented initiatives to stimulate consumer spending and enhance the satisfaction of customers and merchants.

In other initiatives, we have been working to expand the areas in which credit cards are used. For example, in August 2011, we issue NEO Money, a prepaid card for use outside of Japan by tourists, business travelers, exchange students and others. We are working to increase use of NEO Money in partnership with travel agencies and universities, and to expand the network of affiliated stores in Japan accepting China UnionPay, which is an international brand in China that operates an interbank settlement network.

By adding new settlement services such as prepaid services to our existing credit card offerings, we will strive to establish a source of revenue from the cashless settlement market going forward.

Strengthening Fee-based Businesses Utilizing the Internet

The total number of Internet members reached 8.56 million as of March 31, 2013, a 23.0% year-on-year increase. The number of members registered to view Web-based usage statements, which enable users to easily check their usage statements at any time over the Internet, was 4.75 million, an increase of 36.1% year on year.

Credit Saison sees the challenge of transforming the Internet business into a core business as a key strategy. Particular effort is being focused on expanding the Eikyufumetsu.com shopping point site, where customers can earn up to 20 times more Eikyufumetsu Points compared with points earned by directly using conventional Internet shopping sites. We have sought to increase the appeal of Eikyufumetsu.com by expanding the range of services through which points can be accrued.

We are also updating and enhancing the accuracy of our Internet members' customer information to capture revenues from a new advertising and marketing business that utilizes our customer base. In fiscal 2012, we focused on energizing research businesses such as Internet-based questionnaires. We have made steady progress, with operating revenues from the advertising and marketing business increasing more than two-fold from the previous fiscal year.

Going forward, we remain determined to reinforce our initiatives in new Internet businesses. We will build systems for generating revenue from a variety of Internet-based services while continuing to use the Internet to reduce costs.

Credit Risk Management

Credit Saison continues to accumulate healthy receivables by taking steps to recover overdue receivables swiftly and continuing to ensure payment of receivables through counseling. Another approach we have used is to encourage customers to make advance deposits into their remitting accounts by no later than the payment deadline in order to prevent receivables from becoming overdue. We carry out inspections that help to control risks during initial and intermediate credit checks. Through these initiatives we are expanding our stock of good quality receivables.

As a result, the Company has seen improvement in the condition of its receivables. We will continue to focus on improving the quality of receivables by establishing measures to limit our risk exposure. Specifically, we will strengthen credit management and our servicing system. We will maintain thorough credit control that balances returns and risks.

Full-scale Business Participation in the Asian Region

In June 2012, Credit Saison opened a representative office in Hanoi, Vietnam, with the aim of making a full-scale entry into the retail finance business in the fast-growing Asian region.

Furthermore, in March 2013, Credit Saison formed a capital and business alliance with econtext ASIA Ltd., an online settlement firm in the Digital Garage Group, and agreed to jointly promote development and provision of settlement services and e-commerce infrastructure in the Asian market, including Japan. Drawing on the business resources and know-how of both companies, we will actively work to develop and promote new schemes that provide new value for customers and affiliated merchants.

Going forward, Credit Saison will continue to prepare the way for our medium/long-term overseas strategy aimed at entering the non-bank sector of markets in the Asian region, such as Indonesia and Singapore.

■ New Developments and Future Initiatives

In April 2013, Credit Saison partnered with the major drug store chain cocokara fine, Inc. to issue the COCOKARA CLUB CARD, Japan's first Visa prepaid card that can be used at Visa affiliated merchants in Japan and overseas. The card also functions as a point card, so customers can accumulate points and use them to make purchases at Visa affiliated merchants around the world. The card serves as a new, more convenient way to shop at drug stores, where cash has been the dominant payment method.

Credit Saison also introduced Coiney, a smartphone settlement service, through a business alliance with its developer Coiney, Inc. and began soliciting affiliated merchants in April 2013. We intend to strengthen our partnership with Coiney, further diversify the arenas where cards with smartphone-enhanced functionality are used, and continue working to expand the credit card settlement market.

In regard to overseas strategy, Credit Saison established a consulting company in Hanoi, Vietnam, in April 2013, to prepare for the launch of a business aimed at providing expertise in installment purchases and the loan business, including know-how that the Company has developed in Japan in regard to the card businesses. The goal is to support the development of retail finance businesses by local companies. While working to commercialize support services for the development of retail finance operations, Credit Saison will cultivate its expertise in order to meet market needs in the Asian region.

2) Servicing (Loan Collection Agency) Business

JPN Holdings Co., Ltd. is mainly involved in contract-based servicing of small unsecured loans. In the servicing business, JPN Holdings saw a decrease in the number of servicing contracts from existing customers in step with improvement in the quality of receivables at non-banks, its main customers in the servicing business. However, thanks to a boost from higher sales in the personnel outsourcing business, where efforts were focused on expanding business with government ministries and agencies, overall revenues in this business increased year on year.

2. Lease Business Segment

According to statistics issued by the Japan Leasing Association, overall lease contract volume for the entire leasing industry in fiscal 2012 was ¥4,875.4 billion, up 6.0% year on year.

Credit Saison recorded a lease contract volume of ¥105.3 billion, up 8.8% year on year. This increase was mainly due to measures to expand sales channels for energy-saving electrical products such as LED lighting in the rental business, along with efforts to strengthen ties with existing customers and to increase the number of partner sales agencies. Operating revenues decreased 1.6% year on year to ¥14,434 million. Segment profit climbed 20.5% to ¥6,147 million, mainly due to a decrease in credit cost.

3. Finance Business Segment

This segment consists of the credit guarantee business and other finance-related business. In the credit guarantee business, the amount of guarantees executed and the guarantee balance increased due to efforts to strengthen ties with affiliated financial institutions. In other finance-related business, the long-term, fixed-interest-rate mortgage loan, Flat 35 (the receivable of which is acquired and securitized by the Japan Housing Finance Agency), contributed to segment operating revenues.

As a result, segment operating revenues for fiscal 2012 increased 10.3% year on year to ¥17,327 million, and segment profit increased 15.5% to ¥8,985 million.

1) Credit Guarantee Business

Credit Saison focused on obtaining high-quality transactions by utilizing its close business relationships with affiliated financial institutions in both sales and management, particularly in the guarantee business for unsecured free loans to individual customers.

In fiscal 2012, we endeavored to increase our transaction volume by entering into a total of 45 new alliances with regional financial institutions, expanding the network to a total of 348 financial institutions, a net increase of 40 institutions from fiscal 2011. The gross guarantee balance before recording an allowance for losses on guarantees increased by 17.0% from the previous fiscal year to ¥197,300 million. This was the result of efforts to build a framework for meticulous collaboration with regional financial institutions through free-loan guaranteed products for which the loan purposes were expanded to include business finance.

2) Other Finance-related Business

Since March 2009, we have handled Flat 35 mortgage loans. The number of loans executed in fiscal 2012 fell 0.4% year on year to 1,764 loans, with a total balance of ¥48,200 million, down 2.8%. The main factor in this decrease was the impact of a reduction in the size of preferential interest rates offered under a scheme to support purchases of high-quality houses (Flat 35S scheme). However, the special treatment given to cardmembers and the trust and reliability built up through the credit card business have been highly evaluated by the market. We have accumulated 6,042 loans with a total balance of ¥167,000 million, surpassing the ¥150,000 million mark for the first time in this business since it began.

From April 2012, the system was revised so that Flat 35 loans may be used to finance only 90% of the purchase price of a property, down from 100% previously. We responded quickly by launching “Flat 35 PLUS,” a Credit Saison home loan package that provides financing for the remaining 10% of the property value not covered by Flat 35.

In January 2013, we began offering the “Saison Asset Formation Loans” (loans for purchasing condominiums as an investment), in an effort to further upgrade and expand our product lineup.

The total balance of receivables in the other finance-related business as of March 31, 2013, increased 3.0% year on year to ¥70,800 million.

4. Real Estate-related Business Segment

The Real Estate-related Business segment consists of the real estate business, the real estate leasing business and other businesses. In fiscal 2012, segment operating revenues increased 220.6% year on year to ¥9,807 million, leading Credit Saison to record a segment profit of ¥955 million. This result partly reflected a loss on reappraisal of assets recorded by consolidated subsidiary Atrium in fiscal 2011. In line with the restructuring of the Real Estate-related Business, we have separated this business into retained business and withdrawn business. Revenues and expenses related to withdrawn business have been recorded under non-operating revenues and expenses from the fiscal year under review.

5. Entertainment Business Segment

This segment consists of the amusement business and other operations. Credit Saison worked to create sound, safe and enjoyable facilities that have the support of their communities. Operating revenues for the segment increased 4.6% year on year to ¥13,597 million, primarily reflecting higher sales following the impact of reduced operating hours and suspension of operations at some stores due to the Great East Japan Earthquake in the previous fiscal year. As a result, segment profit increased by 1.9% to ¥2,104 million.

V. LIQUIDITY AND FINANCIAL POSITION

1. Fund Procurement and Liquidity Management

Fund Procurement

The Credit Saison Group emphasizes stability and low cost in the procurement of funds, and is actively working to diversify fund procurement methods. Key procurement methods include negotiating transactions with banks, related financial institutions, life insurance companies and non-life insurance companies. In addition, the Group procures funds indirectly through syndicated loans and committed lines of credit, and directly by issuing commercial paper and by securitizing receivables. Consolidated interest-bearing debt (including debt incurred through off-balance sheet securitizations in the amount of ¥30.0 billion and lease obligations of ¥4.1 billion) totaled ¥1,359.8 billion as of March 31, 2013. Of this total, loans accounted for 74.0%, bonds for 19.2%, commercial paper for 1.1%, and asset-backed securities for 5.7%.

With regard to indirect fund procurement, in an effort to mitigate refinance risks and reduce costs, Credit Saison is working to strengthen its relations with existing lenders. We also aim to diversify sources of procurement by examining new counterparties, targeting financial institutions with which we can expect long-term stable transactions. In terms of direct fund procurement, in an effort to mitigate liquidity risk and reduce costs, Credit Saison not only utilizes corporate bonds and commercial paper, but is also setting up new fund procurement schemes, including securitization of receivables that will be unaffected by the creditworthiness of Credit Saison.

To support smooth fund procurement from the capital market, Credit Saison has obtained credit ratings for the bonds it issues. We have been given an A+ rating for domestic unsecured corporate bonds, and an a-1 rating for domestic commercial paper by Rating and Investment Information, Inc. (R&I).

Liquidity Management

Of the total assets held by the Credit Saison Group, installment accounts receivable centered on the Credit Service Business accounted for 60.3%. Their annual average turnover was more than four times, helping Credit Saison maintain a high level of liquidity.

2. Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥75,773 million, compared to ¥25,611 million in the previous fiscal year.

The main factors were a ¥38,966 million decrease in trade receivables, including installment accounts receivable, as well as a ¥15,334 million increase in notes and accounts payable.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥11,382 million, compared with net cash provided by investing activities of ¥123,1378 million in the previous fiscal year.

Cash was mainly used for ¥26,814 million in payments for purchases of property and equipment and other assets, including outlays for the development of shared core systems. This was partly offset by cash provided by ¥17,818 million in proceeds from the real estate liquidation business.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥66,961 million, compared with ¥161,237 million in the previous fiscal year.

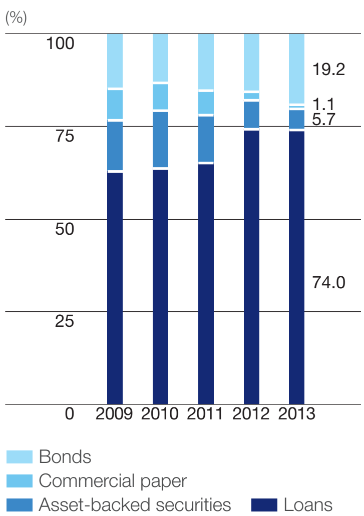
The main cash outflows were payments of payables under securitized account receivables and lease investment assets of ¥41,689 million and a decrease in short-term debts of ¥21,230 million.

As a result of the above, cash and cash equivalents at the end of year decreased by ¥2,544 million from the previous fiscal year-end to ¥57,457 million.

3. Assets, Liabilities and Equity

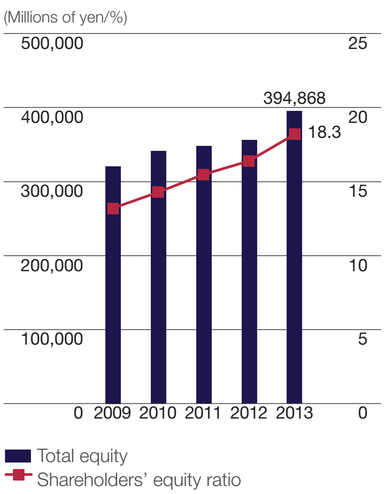
Total assets at the end of fiscal 2012 had decreased by ¥14,104 million from a year earlier to ¥2,141,802 million. The decline in assets can be primarily attributed to a decline in accounts receivable—installment.

COMPOSITION OF INTEREST-BEARING DEBT



(Years ended March 31)

TOTAL EQUITY AND SHAREHOLDERS' EQUITY RATIO



(Years ended March 31)

DELINQUENCY RATIO (OVER 90 DAYS) AND WRITE-OFF RATIO (NON-CONSOLIDATED BASIS)

(Years ended March 31)

Total current liabilities at the end of fiscal 2012 had decreased by ¥53,245 million from a year earlier to ¥1,746,934 million. This decrease included a ¥49,946 million reduction in interest-bearing debt due to the repayment of debt associated with securitized receivables.

Total equity at the end of fiscal 2012 had increased by ¥39,141 million from the previous fiscal year-end to ¥394,868 million. This increase included an increase of ¥28,348 million in retained earnings.

VI. CREDIT RISKS

Of total receivables (i.e., the balance calculated by adding up the balance of installment accounts receivable and the balance of lease investment assets with the balance of contingent liabilities), receivables overdue by more than 90 days amounted to ¥55,404 million, a decrease of 54.0% year on year. The balance of the allowance for uncollectible receivables (current assets) as of March 31, 2013 was ¥64,910 million, a 31.8% year-on-year decrease. Consequently, the ratio of the allowance to the receivables overdue for more than 90 days decreased to 185.2% from 200.5% at the previous fiscal year-end.

COMPARISON OF DELINQUENT RECEIVABLES AND THE ALLOWANCE FOR RECEIVABLES

(Millions of yen)

	2013	2012	% change
(1) Receivables	**1,738,637**	1,786,198	(2.7)
(2) Receivables overdue by more than 90 days	**55,404**	120,422	(54.0)
(3) Collateralized portion included in (2)	**20,359**	72,943	(72.1)
(4) Allowance for losses on receivables included in current assets	**64,910**	95,172	(31.8)
Receivables overdue by more than 90 days as a percentage of receivables [(2) ÷ (1)]	**3.2%**	6.7%	–
Ratio of allowance of losses on receivables to receivables overdue by more than 90 days [(4) ÷ ((2) – (3))]	**185.2%**	200.5%	–
(Reference) Receivables overdue by more than 90 days excluding collateralized portion as a percentage of receivables [((2) – (3)) ÷ (1)]	**2.0%**	2.7%	–

(Years ended March 31)

CHANGES IN THE ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES

(Millions of yen)

	2013	2012	% change
Allowance for losses on receivables at the beginning of the year	**97,430**	123,594	(21.2)
Increase	**17,364**	35,693	(51.3)
Decrease	**31,842**	61,857	(48.5)
Allowance for losses on receivables at the end of the year	**82,952**	97,430	(14.9)
(Reference) Losses on receivables	**2**	2	9.6

(Years ended March 31)

Note: The increase in the fiscal year ended March 31, 2012 includes a provision of ¥11,968 million to the allowance for uncollectible receivables associated with the business restructuring of consolidated subsidiary Atrium Co., Ltd. The decrease includes a ¥4,075 million partial reversal of the allowance for uncollectible receivables recorded in response to the Great East Japan Earthquake that struck on March 11, 2011.

VII. RISK INFORMATION

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

Forward-looking statements are Credit Saison Group estimates as of March 31, 2013.

1. Operating Conditions

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

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

2. Changes in Cost of Funds

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

3. Competitive Environment

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

4. Unfavorable Performances Among Primary Alliance Partners

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

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

5. System Operation Problems

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

6. Leakage of Personal Information and Other Issues

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

7. Regulatory Changes

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

Moreover, a portion of interest that was higher than the interest rate ceiling set by the Interest Rate Restriction Act can be deemed invalid and may be subject to claims for reimbursement. Credit Saison is booking an allowance for losses on interest repayments in preparation for future claims for reimbursements of this type, but future regulatory revisions or regulatory trends that unexpectedly expanded such reimbursement claims would have the potential to negatively impact on the Credit Saison Group's performance and financial position.

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

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

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

9. Natural Disasters, Etc.

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

VIII. OUTLOOK FOR THE FISCAL YEAR ENDING MARCH 31, 2014

The business environment for the Credit Saison Group in the fiscal year ending March 31, 2014 is characterized by heightened expectations for a rebound in business conditions, based on anticipation for the new administration's economic policies. On the other hand, in the credit card sector, the Group continues to face challenging conditions, including changes in the earnings structure of the Group's business, mainly due to effects of revisions to the Money Lending Business Act, along with new entrants into the credit card sector from other industries.

In response to these conditions, Credit Saison will take bold action in the following key areas to lay future business foundations that will drive sustainable growth.

- Expand cashless settlement services based on credit cards to compete successfully with the cash payment services market
- Expand fee-based businesses based on the Internet businesses and develop the advertising and marketing businesses utilizing customer bases
- Diversify revenue sources by promoting non-bank services such as the lease and finance businesses
- Full-scale entry into the retail finance sector in the Asian region
- Improve the quality of loan receivables by enhancing credit control and collection systems and develop lean operations by transforming the cost structure

Based on the activities described above, Credit Saison forecasts its consolidated results for the fiscal year ending March 31, 2014 to be operating revenues of ¥251,000 million, operating income of ¥43,500 million and net income of ¥32,000 million. In its non-consolidated results, Credit Saison forecasts operating revenues of ¥207,300 million, operating income of ¥37,000 million and net income of ¥24,200 million.

CONSOLIDATED BALANCE SHEET

Credit Saison Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	**2013**	2012	**2013**
Current Assets:			
Cash and deposits (Note 11)	**¥ 57,524**	¥ 60,085	**$ 610,987**
Receivables and lease investment assets:			
Accounts receivable—installment (Notes 4, 5, 11 and 27)	**1,292,377**	1,379,776	**13,726,785**
Lease investment assets (Notes 5, 10 and 11)	**219,572**	218,390	**2,332,150**
Short-term loans receivable (Note 11)	**5,561**	6,310	**59,065**
Less: Allowance for doubtful accounts	**(64,910)**	(95,173)	**(689,434)**
	1,452,600	1,509,303	**15,428,566**
Operational investment securities (Notes 11 and 12)	**13,847**	16,617	**147,072**
Inventories (Notes 6 and 7)	**90,546**	195,352	**961,725**
Deferred tax assets (Note 14)	**10,121**	12,468	**107,497**
Prepaid expenses and other current assets (Note 27)	**19,718**	21,092	**209,429**
Total current assets	**1,644,356**	1,814,917	**17,465,276**
Property and Equipment, at Cost:			
Lease assets (Note 10)	**8,706**	8,081	**92,468**
Buildings and improvements (Note 7)	**46,002**	47,361	**488,603**
Fixtures and equipment (Note 7)	**25,043**	26,936	**265,996**
Total	**79,751**	82,378	**847,067**
Less: Accumulated depreciation	**(46,139)**	(45,878)	**(490,066)**
Net property and equipment	**33,612**	36,500	**357,001**
Land (Note 7)	**30,966**	26,486	**328,898**
Construction in progress	**260**	151	**2,767**
Total property and equipment	**64,838**	63,137	**688,666**
Investments and Other Assets:			
Investment securities (Notes 11 and 12)	**56,329**	41,373	**598,290**
Investments in unconsolidated subsidiaries and affiliated companies (Note 11)	**53,030**	42,992	**563,246**
Long-term loans receivable (Note 11)	**11,207**	10,237	**119,037**
Intangible assets	**114,296**	98,939	**1,213,982**
Lease deposits	**5,224**	5,967	**55,484**
Liquidation business assets (Notes 7 and 19)	**137,956**	—	**1,465,283**
Deferred tax assets (Note 14)	**68,445**	76,174	**726,980**
Others	**4,163**	4,428	**44,221**
Less: Allowance for doubtful accounts	**(18,042)**	(2,258)	**(191,637)**
Total investments and other assets	**432,608**	277,852	**4,594,886**
Total assets	**¥2,141,802**	¥2,155,906	**$22,748,828**

The accompanying notes are an integral part of these statements.

LIABILITIES AND EQUITY	Millions of yen 2013	2012	Thousands of U.S. dollars (Note 2) 2013
Current Liabilities:			
Notes and accounts payable (Notes 11 and 27)	¥ 256,284	¥ 240,950	$ 2,722,077
Short-term loans (Notes 9 and 11)	212,960	234,190	2,261,922
Current portion of long-term debt (Notes 5, 9 and 11)	184,877	243,428	1,963,641
Commercial paper (Notes 9 and 11)	15,000	32,000	159,320
Current portion of long-term lease obligations (Notes 9 and 11)	1,941	1,974	20,617
Accrued income taxes	7,744	9,465	82,252
Unearned income	6,278	5,840	66,685
Accrued employees' bonuses	2,084	1,985	22,134
Accrued directors' bonuses	147	154	1,557
Allowance for losses on interest repayments	9,290	13,247	98,673
Allowance for losses on collecting gift tickets	176	183	1,869
Accrued expenses and other current liabilities	39,112	41,298	415,431
Total current liabilities	735,893	824,714	7,816,178
Long-term Liabilities:			
Long-term debt (Notes 5, 9 and 11)	912,860	875,257	9,695,802
Long-term lease obligations (Notes 9 and 11)	2,218	2,953	23,558
Accrued retirement benefits to directors and audit supervisory board members	74	92	787
Allowance for losses on guarantees	4,210	4,068	44,713
Allowance for losses on defect warranties	19	16	202
Allowance for losses on point program	71,533	70,661	759,777
Allowance for losses on interest repayments	9,745	11,574	103,504
Asset retirement obligations	854	831	9,067
Negative goodwill	4	329	46
Others (Note 14)	9,524	9,684	101,157
Total long-term liabilities	1,011,041	975,465	10,738,613
Commitments and Contingent Liabilities (Notes 8 and 21)			
Equity (Note 23):			
Common stock	75,929	75,929	806,472
Capital surplus	84,838	84,838	901,095
Stock acquisition rights	0	0	0
Retained earnings	217,883	189,535	2,314,208
Less: Treasury stock, at cost	(6,119)	(6,116)	(64,988)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	20,392	10,045	216,585
Deferred losses on derivatives under hedge accounting	(1,497)	(1,536)	(15,895)
Total	391,426	352,695	4,157,477
Minority interests	3,442	3,032	36,560
Total equity	394,868	355,727	4,194,037
Total liabilities and equity	¥2,141,802	¥2,155,906	$22,748,828

CONSOLIDATED STATEMENT OF INCOME

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Operating Revenues (Note 18)**:**			
Income from the credit service business	¥189,137	¥197,494	$2,008,886
Income from the lease business	14,409	14,645	153,043
Income from the finance business	17,208	15,446	182,776
Income from the real estate related business	9,723	2,967	103,275
Income from the entertainment business	13,589	12,990	144,339
Financial income	339	467	3,593
Total operating revenues	244,405	244,009	2,595,912
Operating Expenses:			
Selling, general and administrative expenses	187,171	192,185	1,988,005
Financial costs	14,922	19,958	158,495
Total operating expenses	202,093	212,143	2,146,500
Operating Income	42,312	31,866	449,412
Nonoperating Revenues:			
Gain on sales of property and equipment and intangible assets	153	—	1,630
Gain on sales of investment securities	0	174	2
Gain on sales of investments in subsidiaries and affiliates	—	7,140	—
Gain on reversal of allowance for losses from a natural disaster (Note 15)	—	5,492	—
Dividend income	1,020	969	10,838
Equity in earnings of equity method-affiliated companies	7,345	3,796	78,009
Other	2,678	2,648	28,435
Total nonoperating revenues	11,196	20,219	118,914
Nonoperating Expenses:			
Loss on devaluation of investment securities	173	570	1,839
Impairment losses	34	48	357
Loss on business restructuring of subsidiaries (Note 16)	—	59,796	—
Losses from a natural disaster (Note 17)	—	210	—
Loss on revision of retirement benefit plans (Note 13)	—	1,658	—
Other (Note 19)	488	517	5,188
Total nonoperating expenses	695	62,799	7,384
Nonoperating Revenues (expenses), net	10,501	(42,580)	111,530
Income (loss) before Income Taxes and Minority Interests	52,813	(10,714)	560,942
Income Taxes (Note 14)**:**			
Current	13,868	12,967	147,299
Deferred	5,764	(33,488)	61,220
Net Income before Minority Interests	33,181	9,807	352,423
Minority interest in net income	411	353	4,361
Net Income	¥ 32,770	¥ 9,454	$ 348,062

	Yen		U.S. dollars (Note 2)
Per Share Data (Notes 3 (T) and 25)	2013	2012	2013
Equity	¥2,131.58	¥1,920.65	$22.640
Net income, basic	178.45	51.48	1.895
Net income, diluted	177.75	50.86	1.888
Cash dividends	30.00	30.00	0.319

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Net Income before Minority Interests	¥33,181	¥ 9,807	$352,423
Other Comprehensive Income (Note 22)			
Unrealized gains on available-for-sale securities	8,127	2,010	86,320
Deferred gains on derivatives under hedge accounting	39	72	417
Share of other comprehensive income in affiliated companies	2,221	1,479	23,587
Total other comprehensive income	10,387	3,561	110,324
Comprehensive Income (Note 22)	¥43,568	¥13,368	$462,747
Comprehensive income attributable to (Note 22)**:**			
Owners of the parent	¥43,156	¥13,015	$458,371
Minority interests	412	353	4,376

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2013

Millions of yen

							Accumulated other comprehensive income				
	Issued number of shares of common stock (thousands)	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Total	Minority interests	Total equity
Balance at April 1, 2011	185,445	¥75,929	¥84,838	¥0	¥185,629	¥(6,114)	¥ 6,570	¥(1,623)	¥345,229	¥2,687	¥347,916
Cash dividends					(5,511)				(5,511)		(5,511)
Net income for the year ended March 31, 2012					9,454				9,454		9,454
Increase in treasury stock						(2)			(2)		(2)
Decrease in treasury stock			(0)			0			0		0
Change of scope of equity method					(37)				(37)		(37)
Net changes in the year							3,475	87	3,562	345	3,907
Balance at March 31, 2012	185,445	¥75,929	¥84,838	¥0	¥189,535	¥(6,116)	¥10,045	¥(1,536)	¥352,695	¥3,032	¥355,727
Cash dividends					**(5,511)**				**(5,511)**		**(5,511)**
Net income for the year ended March 31, 2013					**32,770**				**32,770**		**32,770**
Increase in treasury stock						**(3)**			**(3)**		**(3)**
Change of scope of equity method					**1,089**				**1,089**		**1,089**
Net changes in the year							**10,347**	**39**	**10,386**	**410**	**10,796**
Balance at March 31, 2013	**185,445**	**¥75,929**	**¥84,838**	**¥0**	**¥217,883**	**¥(6,119)**	**¥20,392**	**¥(1,497)**	**¥391,426**	**¥3,442**	**¥394,868**

Thousands of U.S. dollars (Note 2)

							Accumulated other comprehensive income				
	Issued number of shares of common stock (thousands)	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Net unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Total	Minority interests	Total equity
Balance at March 31, 2012	185,445	$806,472	$901,095	$0	$2,013,123	$(64,966)	$106,685	$(16,312)	$3,746,097	$32,210	$3,778,307
Cash dividends					**(58,538)**				**(58,538)**		**(58,538)**
Net income for the year ended March 31, 2013					**348,062**				**348,062**		**348,062**
Increase in treasury stock						**(22)**			**(22)**		**(22)**
Change of scope of equity method					**11,561**				**11,561**		**11,561**
Net changes in the year							**109,900**	**417**	**110,317**	**4,350**	**114,667**
Balance at March 31, 2013	**185,445**	**$806,472**	**$901,095**	**$0**	**$2,314,208**	**$(64,988)**	**$216,585**	**$(15,895)**	**$4,157,477**	**$36,560**	**$4,194,037**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interests	¥ 52,813	¥ (10,714)	$ 560,942
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Income taxes paid	(15,728)	(4,207)	(167,058)
Depreciation and amortization	12,859	14,083	136,575
Loss on liquidation business	26	—	271
Gain on reversal of allowance for losses from a natural disaster	—	(5,492)	—
Losses from a natural disaster	—	210	—
Loss on business restructuring of subsidiaries	—	59,796	—
Decrease in allowance for doubtful accounts	(13,934)	(31,377)	(148,003)
Decrease in accrued pension and severance costs	—	(2,179)	—
Increase in allowance for losses on point program	872	4,781	9,261
Decrease in allowance for losses on interest repayments	(5,786)	(10,360)	(61,451)
Increase in allowance for other reserves	212	60	2,250
Interest and dividend income	(1,331)	(1,391)	(14,133)
Interest expenses	14,155	18,794	150,348
Equity in earnings of equity method-affiliated companies	(7,345)	(3,796)	(78,009)
Foreign currency exchange (gain) loss	(26)	39	(276)
(Gain) loss on sales of investment securities	147	(173)	1,566
Gain on sales of investments in subsidiaries and affiliates	—	(7,140)	—
Loss on devaluation of investment securities	173	570	1,839
Impairment losses	34	48	357
Loss on disposals of property and equipment, and other assets	683	795	7,253
(Increase) decrease in operational investment securities	3,705	(9,390)	39,357
(Increase) decrease in trade receivables	38,966	(47,104)	413,872
(Increase) decrease in lease investment assets	(1,182)	1,505	(12,558)
Increase in inventories	(6,973)	(941)	(74,067)
Decrease in other assets	1,464	3,979	15,551
Interest and dividends received	2,238	1,837	23,771
Interest paid	(14,470)	(18,993)	(153,694)
Increase in notes and accounts payable	15,334	69,884	162,868
Increase (decrease) in other liabilities	(1,055)	1,828	(11,204)
Other—net	(78)	659	(825)
Net Cash Provided by Operating Activities	75,773	25,611	804,803
Cash Flows from Investing Activities:			
Proceeds from withdrawals of time deposits	—	500	—
Payments for purchases of investment securities	(3,924)	(22)	(41,681)
Proceeds from sales or redemptions of investment securities (Note 24 (C))	424	2,049	4,499
Proceeds from sales of investment in subsidiaries and affiliates	—	18,360	—
Proceeds from an absorption-type company split (Note 24 (D))	—	135,794	—
Proceeds from liquidation business	17,818	—	189,260
Payments for purchases of property and equipment and other assets	(26,814)	(35,030)	(284,803)
Proceeds from sales of property and equipment and other assets	167	110	1,771
Payments for short-term and long-term loans	(240)	(165)	(2,549)
Proceeds from short-term and long-term loans	19	840	200
Decrease in other assets	1,168	702	12,413
Net Cash Provided by (Used in) Investing Activities	(11,382)	123,138	(120,890)
Cash Flows from Financing Activities:			
Decrease in short-term debt	(21,230)	(13,839)	(225,491)
Decrease in commercial paper	(17,000)	(78,000)	(180,563)
Proceeds from long-term debt	173,989	138,770	1,847,998
Repayments of long-term debt	(193,024)	(157,519)	(2,050,175)
Proceeds from issuance of bonds	49,709	9,949	527,973
Repayments of bonds	(10,225)	(45,225)	(108,603)
Proceeds from securitized account receivables and lease investment assets	—	10,000	—
Payments of payables under securitized account receivables and lease investment assets	(41,689)	(18,217)	(442,788)
Repayments of lease obligations	(1,975)	(1,636)	(20,977)
Proceeds from minority shareholders	10	—	106
Proceeds from sales of treasury stock	—	0	—
Purchases of treasury stock	(3)	(2)	(22)
Cash dividends paid	(5,511)	(5,511)	(58,538)
Cash dividends paid to minority shareholders	(12)	(7)	(133)
Net Cash used in Financing Activities	(66,961)	(161,237)	(711,213)
Translation gain (loss) on Cash and Cash Equivalents	26	(38)	276
Decrease in Cash and Cash Equivalents	(2,544)	(12,526)	(27,024)
Cash and Cash Equivalents at the Beginning of Year	60,001	72,527	637,287
Cash and Cash Equivalents at the End of Year (Note 24 (A))	¥ 57,457	¥ 60,001	$ 610,263

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31, 2013

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

2. U.S. DOLLAR AMOUNTS

Japanese yen amounts have been translated into U.S. dollars at the rate of ¥94.15=US$1, the approximate exchange rate on March 31, 2013, for the convenience of the reader. These translations should not be construed as representations that Japanese yen amounts, have been or could be converted into U.S. dollars at that or any other rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

As of March 31, 2013, the consolidated financial statements include the accounts of the Company and its eighteen (eighteen for 2012) significant subsidiaries.

(NEW)

Atrium Co., Ltd. (Newly established)

(Atrium Co., Ltd. which increased in significance by inheritance of part of assets and businesses from Atrium Realty Co., Ltd. (Name was changed from Atrium Co., Ltd.) by split for absorption was newly included in consolidation effective from the current fiscal year.)

(EXCLUSION)

House Planning Co., Ltd.

(House Planning Co., Ltd. was excluded from the consolidation due to a merger with SAISON FUNDEX CORPORATION, Company’s subsidiary.)

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

Investments in nine (eight for 2012) significant affiliates are accounted for by the equity method.

(NEW)

Entertainment Plus Inc.

(Entertainment Plus Inc., which increased in significance was newly included in accounting for investments in affiliated companies effective from the current fiscal year.)

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

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

(B) INVENTORIES

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

(C) FINANCIAL INSTRUMENTS

i. Derivatives

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

ii. Securities

Securities held by the Companies are classified into four categories:

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

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

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

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

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

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

iii. Hedge accounting

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

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

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

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

(D) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost.

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

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

(E) LEASE

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

(Lessee)

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

(Lessor)

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

(F) INTANGIBLE ASSETS

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

(G) LONG-LIVED ASSETS

The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(H) BOND ISSUE COSTS

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

(I) ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

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

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

(J) ACCRUED EMPLOYEES' BONUSES

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

(K) ACCRUED DIRECTORS' BONUSES

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

(L) ALLOWANCE FOR LOSSES ON COLLECTING GIFT TICKETS

Allowance for losses on collecting gift tickets, etc., issued by the Company takes into account its registration of collected tickets in order to prepare for the possible future use of those tickets that had been recorded as revenue after the passage of the constant period.

(M) ALLOWANCE FOR LOSSES ON INTEREST REPAYMENTS

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

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

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

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

(O) ALLOWANCE FOR LOSSES ON GUARANTEES

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

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

(P) ALLOWANCE FOR LOSSES ON DEFECT WARRANTIES

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

(Q) ALLOWANCE FOR LOSSES ON POINT PROGRAM

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

(R) RECOGNITION OF OPERATING REVENUE

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

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

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

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

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

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

iii. Lease contracts (The lease business)

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

(S) INCOME TAXES

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

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

(T) PER SHARE INFORMATION

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of the stock options at the beginning of the year (or at the time of issuance).

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

(U) CASH AND CASH EQUIVALENTS

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 a low risk of fluctuation in value that are scheduled to mature within three months of acquisition.

4. ACCOUNTS RECEIVABLE—INSTALLMENT

As of March 31, 2013 and 2012, liquidated receivables were as noted below. The following amounts of accounts receivable generated from liquidation or operational transactions were included in accounts receivable—installment.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Liquidating receivables:			
Single-payment card shopping, etc.	¥30,000	¥20,000	$318,640
Accounts receivable include:			
Single-payment card shopping, etc.	3,708	2,472	39,383

5. PLEDGED ASSETS

As of March 31, 2013 and 2012, pledged assets and liabilities related to pledged assets were as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Pledged assets:			
Accounts receivable—installment	¥22,050	¥44,750	$234,201
Lease investment assets	22,213	41,202	235,933
Liabilities related to pledged assets:			
Current portion of long-term debt	35,715	41,079	379,340
Long term debt	8,548	44,873	90,794

6. INVENTORIES

Inventories at March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Receivable by purchase	¥ 9,304	¥ 10,316	$ 98,819
Real estate for sale	79,903	183,784	848,678
Other	1,339	1,252	14,228
Total	¥90,546	¥195,352	$961,725

7. INVESTMENT PROPERTY

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

The Companies owns certain rental properties (include liquidation business assets) such as office buildings and land in Tokyo and other areas. The net of rental income and operating expenses for those rental properties was ¥4,221 million ($44,832 thousand) for the fiscal year ended March 31, 2013.

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

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

			Thousands of U.S. dollars
	April 1, 2012	Increase/Decrease	March 31, 2013
Carrying Amount	$331,679	$1,042,939	$1,374,618
Fair Value			$1,568,221

Notes: 1. Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses, if any.
2. Increase during the fiscal year ended March 31, 2013, primarily represents the transfer from inventories to liquidation business assets of ¥90,611 million ($962,408 thousand).
3. Fair value of properties as of March 31, 2013, is measured by the Companies in accordance with its Real-Estate Appraisal Standard.
4. The corresponding information for the year ended March 31, 2012, had been omitted from that there was no significance.

8. LOAN COMMITMENTS

(A) LENDER

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

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Total loan limits	**¥4,417,004**	¥4,736,245	**$46,914,543**
Loan executions	**267,898**	320,905	**2,845,441**
	¥4,149,106	¥4,415,340	**$44,069,102**

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.

(B) BORROWER

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

The portion of the credit line that had not been exercised under these contracts as of March 31, 2013 and 2012, was as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Total loan limits	**¥125,000**	¥125,000	**$1,327,669**
Loan executions	**—**	—	**—**
	¥125,000	¥125,000	**$1,327,669**

9. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans are represented principally by 30 to 365 day notes to banks with an average interest rate of 0.66% and 0.75% as of March 31, 2013 and 2012, respectively.

Commercial paper is issued by the Companies with an average interest rate of 0.15% and 0.13% as of March 31, 2013 and 2012, respectively.

Long-term debt and lease obligations as of March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Average 1.25% (2013) and 1.39% (2012) unsecured loans from banks, insurance companies and other financial institutions, due in installments through 2023	**¥ 792,811**	¥ 811,846	**$ 8,420,722**
0.38% to 2.41% (2013) and 0.46% to 2.41% (2012) bonds, due in installments through 2020	**260,663**	220,887	**2,768,587**
Lease obligations*1	**4,159**	4,927	**44,175**
Average 1.31% (2013) and 1.32% (2012) payables on under-securitized loans*2	**44,263**	85,952	**470,134**
Subtotal	**1,101,896**	1,123,612	**11,703,618**
Less: Current portion	**(186,818)**	(245,402)	**(1,984,258)**
	¥ 915,078	¥ 878,210	**$ 9,719,360**

*1 Because interest is included in lease obligations, presentation of the average interest rate is omitted.
*2 Payables under securitized lease receivables and loans resulting from liquidation.

The aggregate annual maturities of long-term debt subsequent to March 31, 2013, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2015	¥230,205	$2,445,084
2016	205,663	2,184,417
2017	160,973	1,709,755
2018	120,546	1,280,361
2019 and thereafter	197,691	2,099,743

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

10. LEASE TRANSACTIONS

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

i. Lease assets

Property and equipment—mainly servers and other equipment

Intangible assets—mainly software used in the credit service business

ii. Depreciation

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

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

Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense, and on an "as if capitalized" basis for the years ended March 31, 2013 and 2012, is as follows:

Pro forma capitalization of leased items

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Building:			
Acquisition cost	**¥ 105**	¥ 115	**$ 1,112**
Accumulated depreciation	**(94)**	(88)	**(992)**
Net leased property value	**11**	27	**120**
Other (fixtures and equipment):			
Acquisition cost	**82**	138	**870**
Accumulated depreciation	**(67)**	(108)	**(710)**
Net leased property value	**15**	30	**160**
Total:			
Acquisition cost	**187**	253	**1,982**
Accumulated depreciation	**(161)**	(196)	**(1,702)**
Net leased property value	**¥ 26**	¥ 57	**$ 280**

Obligations under finance leases

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Due within one year	**¥24**	¥35	**$250**
Due after one year	**8**	32	**90**
Total	**¥32**	¥67	**$340**

Lease payments, depreciation equivalent and interest equivalent

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Lease payments	**¥36**	¥116	**$385**
Reversal of allowance for impairment losses on leased property	**—**	1	**—**
Depreciation equivalent	**31**	98	**334**
Interest payable equivalent	**2**	4	**18**

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

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

(B) FINANCE LEASES THAT DO NOT TRANSFER OWNERSHIP (LESSOR)

i. Lease investment assets

Lease investment assets at March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Gross lease receivables	¥247,673	¥247,679	$2,630,624
Residual value	—	—	—
Unearned interest income	(28,101)	(29,289)	(298,474)
Lease investment assets	¥219,572	218,390	$2,332,150

ii. Collection schedule for the amount of lease payments related to lease investment assets after March 31, 2013 and 2012

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
	Lease investment assets	Gross lease receivables	Lease investment assets	Gross lease receivables	Lease investment assets	Gross lease receivables
Due within one year	¥ 57,722	¥ 68,861	¥ 57,093	¥ 68,837	$ 613,089	$ 731,401
Due within two years and after one year	52,285	60,049	52,520	60,792	555,336	637,798
Due within three years and after two years	44,546	49,456	44,873	49,977	473,141	525,291
Due within four years and after three years	33,664	36,380	33,805	36,482	357,553	386,404
Due within five years and after four years	20,622	21,799	20,081	21,214	219,029	231,532
Due after five years	10,733	11,128	10,018	10,376	114,002	118,198
Total	¥219,572	¥247,673	¥218,390	¥247,678	$2,332,150	$2,630,624

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

As a result, income (loss) before income taxes and minority interests as of March 31, 2013 and 2012, increased (decreased) more than it would have if the revised accounting standard had been retroactively adopted starting from the lease transaction commencement dates as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Income (loss) before income taxes and minority interests	¥1,253	¥2,218	$13,311

(C) OPERATING LEASES

i. Lessee

The minimum rental commitments under noncancelable operating leases at March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥11	¥390	$118
Due after one year	20	21	216
Total	¥31	¥411	$334

ii. Lessor

The minimum rental commitments under noncancelable operating leases at March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥173	¥194	$1,834
Due after one year	103	249	1,093
Total	¥276	¥443	$2,927

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

THE CONDITIONS OF FINANCIAL INSTRUMENTS
(A) POLICY FOR FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

(C) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

(i) Credit risk management

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

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

(ii) Market risk management

Management of fluctuation risk of interest rates

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

Management of fair value fluctuation risk

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

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

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

The derivative transactions of consolidated subsidiaries are conducted in accordance with the internal management regulations that have been set by the respective company. During the term of the transactions, the subsidiary reports to the Company on a quarterly basis the status of hedges between the derivative transactions and corresponding assets or liabilities, the counterparty to contracts, the transaction amounts, the period remaining in the terms, and the transaction fair values.

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

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

As of March 31, 2013 and 2012, the Companies calculated that their income (loss) before income taxes and minority interests would decrease (increase) ¥32 million (US$339 thousand) in 2013 and ¥33 million in 2012 if the benchmark interest rate rose 1 basis point (0.01 percentage point), and increase (decrease) ¥32 million (US$339 thousand) in 2013 and ¥33 million in 2012 if this interest rate fell 1 basis point. The impact was calculated holding risk variables other than interest rate constant and in the absence of correlations between the other risk variables and the interest rate. Fluctuations in interest rates greater than those reasonably estimated may result in an impact larger than the aforementioned calculations.

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

(D) SUPPLEMENTARY EXPLANATION RELATING TO FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHERS
The fair value of financial instruments is either an amount based on market prices or, in the case of no market value, the value calculated based on rational grounds. In the case of the latter, established assumptions and conditions are adopted. Accordingly, if different assumptions and preconditions are adopted, the calculated amount may also be different. Moreover, with regard to contractual value or notional principal amount that relate to derivative transactions in Note 20, the amount itself does not reflect market risk related to the derivative transaction.

Fair value of financial instruments and others
The following presents the amount presented in the consolidated balance sheet for the years ended March 31, 2013 and 2012, the fair value, and the difference between the carrying amount and fair value. Immaterial amounts in the consolidated balance sheets have been omitted from disclosure.

ASSETS

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

	Millions of yen				
	2012				
	Carrying amount	Allowance for doubtful accounts	Total	Fair value	Difference
Cash and deposits	¥ 60,085	¥ —	¥ 60,085	¥ 60,085	¥ —
Accounts receivable—installment	1,379,776	(82,426)	1,297,350	1,343,783	46,433
Lease investment assets	218,390	(11,638)	206,752	220,087	13,335
Short-term loans receivable	6,310	(282)	6,028	6,028	—
Operational investment securities	9,997	—	9,997	9,997	—
Investment securities	32,625	—	32,625	32,625	—
Investments in unconsolidated subsidiaries and affiliated companies	5,908	—	5,908	9,052	3,144
Long-term loans receivable	10,237	(2)	10,235	10,235	—

	Thousands of U.S. dollars				
	2013				
	Carrying amount	Allowance for doubtful accounts	Total	Fair value	Difference
Cash and deposits	**$ 610,987**	**$ —**	**$ 610,987**	**$ 610,987**	**$ —**
Accounts receivable—installment	**13,726,785**	**(576,058)**	**13,150,727**	**13,689,489**	**538,762**
Lease investment assets	**2,332,150**	**(100,490)**	**2,231,660**	**2,363,975**	**132,315**
Short-term loans receivable	**59,065**	**(4,576)**	**54,489**	**54,489**	**—**
Operational investment securities	**89,472**	**—**	**89,472**	**89,472**	**—**
Investment securities	**502,048**	**—**	**502,048**	**502,048**	**—**
Investments in unconsolidated subsidiaries and affiliated companies	**67,587**	**—**	**67,587**	**89,863**	**22,276**
Long-term loans receivable	**119,037**	**(110)**	**118,927**	**118,927**	**—**

(A) CASH AND DEPOSITS

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

(B) ACCOUNTS RECEIVABLE—INSTALLMENT

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

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

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

(C) LEASE INVESTMENT ASSETS

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

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
	Carrying amount	Carrying amount	Carrying amount
Unlisted stocks	¥ 9,533	¥ 9,257	$101,256
Investments in unconsolidated subsidiaries and affiliated companies	46,666	37,084	495,659
Other	4,952	6,111	52,586

For notes concerning available-for-sale securities for each holding purpose, refer to Note 12, "AVAILABLE-FOR-SALE SECURITIES."

(E) SHORT-TERM LOANS RECEIVABLE

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

(F) LONG-TERM LOANS RECEIVABLE

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

LIABILITIES

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			2013		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Notes and accounts payable	¥256,284	¥256,284	¥ —	¥240,950	¥240,950	¥ —	$2,722,077	$2,722,077	$ —
Short-term loans	212,960	212,960	—	234,190	234,190	—	2,261,922	2,261,922	—
Commercial paper	15,000	15,000	—	32,000	32,000	—	159,320	159,320	—
Long-term debt:									
Long-term loans payable	792,811	802,324	(9,513)	811,846	820,509	(8,663)	8,420,722	8,521,765	(101,043)
Bonds	260,663	265,458	(4,795)	220,887	225,165	(4,278)	2,768,587	2,819,512	(50,925)
Long-term loans payable on under securitized loans	44,263	44,393	(130)	85,952	86,296	(344)	470,134	471,517	(1,383)
Lease obligations	4,159	4,159	—	4,927	4,927	—	44,175	44,175	—
Guarantee contracts	—	14,290	14,290	—	9,277	9,277	—	151,776	151,776

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

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

(B) LONG-TERM LOANS PAYABLE

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

(C) BONDS

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

(D) LONG-TERM LOANS PAYABLE ON UNDER SECURITIZED LOANS

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

(E) LEASE OBLIGATIONS

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

(F) GUARANTEE CONTRACTS

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

As of March 31, 2013 and 2012, the guarantee contract amounts of contingent liabilities are ¥197,334 million (US$2,095,956 thousand) in 2013 and ¥168,662 million in 2012 and the amounts that are recorded as the allowance for losses on guarantees in the consolidated balance sheets are ¥4,210 million (US$44,713 thousand) in 2013 and ¥4,068 million in 2012.

Note: Maturity analysis for financial assets and securities with contractual maturities subsequent to March 31, 2013, is as follows:

						Millions of yen
						2013
Year ending March 31	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and deposits	¥ 57,524	¥ —	¥ —	¥ —	¥ —	¥ —
Accounts receivable—installment	946,167	171,974	48,203	22,179	6,299	19,843
Lease investment assets	56,634	51,456	43,982	33,362	20,508	10,704
Short-term loans receivable	5,561	—	—	—	—	—
Investment securities						
Available-for-sale securities with contractual maturities	—	2,581	600	3,114	600	680
Long-term loans receivable	1,024	18	18	18	18	111

						Thousands of U.S. dollars
						2013
Year ending March 31	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and deposits	$ 610,987	$ —	$ —	$ —	$ —	$ —
Accounts receivable—installment	10,049,570	1,826,598	511,981	235,571	66,899	210,754
Lease investment assets	601,539	546,535	467,143	354,349	217,819	113,691
Short-term loans receivable	59,065	—	—	—	—	—
Investment securities						
Available-for-sale securities with contractual maturities	—	27,417	6,373	33,075	6,373	7,229
Long-term loans receivable	10,882	191	191	191	191	1,179

¥90,638 million (US$962,700 thousand) in 2013 of estimated uncollectible amounts is not included.
Please see Note 9 for annual maturities of long term debt.

12. AVAILABLE-FOR-SALE SECURITIES

(A) As of March 31, 2013 and 2012, acquisition costs and carrying amounts on the consolidated balance sheets of available-for-sale securities that have market value are summarized below:

					Millions of yen				Thousands of U.S. dollars
			2013			2012			2013
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Balance sheet amount exceeding acquisition cost:									
Equity shares	¥24,823	¥45,997	¥21,174	¥18,602	¥28,316	¥9,714	$263,657	$488,554	$224,897
Bonds									
Corporate	—	—	—	1,000	1,014	14	—	—	—
Other	1,010	1,441	431	511	543	32	10,728	15,308	4,580
Subtotal	25,833	47,438	21,605	20,113	29,873	9,760	274,385	503,862	229,477
Balance sheet amount not exceeding acquisition cost:									
Equity shares	1,247	1,113	(134)	4,793	4,066	(727)	13,249	11,817	(1,432)
Bonds									
Corporate	5,314	5,314	—	6,758	6,758	(0)	56,442	56,442	—
Other	900	680	(220)	900	791	(109)	9,559	7,228	(2,331)
Other	1,150	1,146	(4)	1,164	1,134	(30)	12,215	12,171	(44)
Subtotal	8,611	8,253	(358)	13,615	12,749	(866)	91,465	87,658	(3,807)
Total	¥34,444	¥55,691	¥21,247	¥33,728	¥42,622	¥8,894	$365,850	$591,520	$225,670

(B) Proceeds from sales of available-for-sale securities for the years ended March 31, 2013 and 2012, were ¥1,818 million (US$19,314 thousand) and ¥971 million, respectively.

Gross realized gains and losses on these sales, computed on the moving-average cost basis, were 61 million (US$645 thousand) and ¥148 million (US$1,568 thousand), respectively, for the year ended March 31, 2013, and ¥174 million and ¥1 million, respectively, for the year ended March 31, 2012.

13. RETIREMENT BENEFIT PLANS

The Company and some of its consolidated subsidiaries changed from cash balance plans and defined contribution plans or prepaid retirement benefit payment plans at the employee's option to defined contribution plans or prepaid retirement benefit payment plans at the employee's option in fiscal 2012.

RETIREMENT BENEFIT EXPENSES

Retirement benefit expenses for the years ended March 31, 2013 and 2012, are stated below:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Service costs	**¥ —**	¥256	**$ —**
Interest costs	**—**	104	**—**
Expected return on plan assets	**—**	(19)	**—**
Actuarial differences recognized as expenses	**—**	390	**—**
Prior service costs recognized as expenses	**—**	(304)	**—**
Other*	**801**	524	**8,509**
Retirement benefit expenses	**801**	951	**8,509**
Loss on revision of retirement benefit plan	**—**	1,658	**—**
Total	**¥801**	¥2,609	**$8,509**

*Other represents payments to the defined contribution pension fund, and other items.

14. DEFERRED TAX ASSETS AND LIABILITIES

The Company and its consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 38.01% and 40.7% for the years ended March 31, 2013 and 2012.

(A) EFFECTIVE TAX RATE

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2012, is as follows.

	2012
Statutory tax rate	40.70%
Reconciliation:	
Expenses not deductible for tax purposes	(1.23)
Nontaxable dividend income	0.71
Inhabitants taxes per capita	(1.74)
Amortization of negative goodwill	1.43
Equity in net earnings of affiliated companies	14.42
Increase of valuation allowance	(277.62)
Decrease in deferred tax assets due to tax rate changes	(94.05)
Tax effect on investments in subsidiaries to be liquidated	510.44
Other	(1.53)
Effective tax rate	191.53%

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

(B) DEFERRED TAX ASSETS

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Write-downs of inventories	¥ 24,194	¥ 35,081	$ 256,971
Accumulated impairment losses	2,481	2,360	26,350
Accumulated depreciation expense	1,047	1,191	11,118
Asset retirement obligations	416	579	4,421
Investment securities	4,715	5,833	50,083
Allowance for doubtful accounts	18,711	20,429	198,737
Allowance for losses on interest repayments	7,108	9,478	75,492
Accrued expenses	335	380	3,560
Accrued enterprise taxes	703	752	7,472
Allowance for losses on point program	25,971	26,011	275,851
Allowance for losses on guarantees	1,538	1,528	16,332
Other allowance	935	906	9,929
Long-term unearned revenue	301	426	3,199
Tax effect on investments in subsidiaries to be liquidated	47,394	47,892	503,388
Tax loss carryforwards	46,164	24,951	490,322
Unrealized losses on available-for-sale securities	131	43	1,392
Deferred losses on derivatives under hedge accounting	836	855	8,876
Other	3,714	3,797	39,450
Subtotal	186,694	182,492	1,982,943
Less valuation allowance	(89,413)	(86,708)	(949,686)
Total deferred tax assets	97,281	95,784	1,033,257
Deferred tax liabilities:			
Capital gains deferred for tax purposes	(185)	(185)	(1,969)
Unrealized gains on available-for-sale securities	(7,868)	(3,283)	(83,569)
Deferred gains on derivatives under hedge accounting	(7)	(5)	(73)
Adjustment account of retirement debt	(329)	(347)	(3,497)
Adjustment account of debt	—	(56)	—
Fair value difference between carrying amount and the tax bases of assets and liabilities caused by the corporate split	(6,862)	—	(72,882)
Other	(3,660)	(3,267)	(38,867)
Total deferred tax liabilities	(18,911)	(7,143)	(200,857)
Net deferred tax assets	¥ 78,370	¥ 88,641	$ 832,400

Net deferred tax assets are presented on the consolidated balance sheets as of March 31, 2013 and 2012, as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current assets	¥10,121	¥12,468	$107,497
Investment and other assets	68,445	76,174	726,980
Current liabilities—other	—	—	—
Long-term liabilities—other	196	1	2,077

15. GAIN ON REVERSAL OF ALLOWANCE FOR LOSSES FROM A NATURAL DISASTER

For the year ended March 31, 2012, gain on reversal of allowance for losses from a natural disaster consisted of the following:

	Millions of yen
	2012
Gain on reversal of allowance for doubtful accounts	¥4,075
Gain on reversal of allowance for losses on guarantees	1,417
Total	¥5,492

16. LOSS ON BUSINESS RESTRUCTURING OF SUBSIDIARIES

During the board meeting held on February 29, 2012, for the purpose of business restructuring of the Companies' real estate related business, the Company made a decision to conduct a corporate reorganization (corporate split, etc.) (hereinafter referred to as the "Business Restructuring") of consolidated subsidiary, Atrium Co., Ltd. (hereinafter referred to as "Atrium").

In the Business Restructuring, the Company substantially revised the real estate development policy enforced regarding real estate (mainly consisting of development projects) owned by Atrium in relation to its business, and after drawing a much clearer line between the projects among the businesses of Atrium to be continued, and those to withdraw from, sub-classified the property portfolio by corporate split.

In connection with this business restructuring, a loss on business restructuring was recorded for the fiscal year ended March 31, 2012. The following is a breakdown of the loss on business restructuring:

	Millions of yen
	2012
Loss on valuation of inventories	¥45,202
Provision for allowance for doubtful accounts	11,968
Other	2,626
Total	¥59,796

17. LOSSES FROM A NATURAL DISASTER

For the year ended March 31, 2012, losses from a natural disaster recorded as a result of the Great East Japan Earthquake in March 2011 consisted of the following:

	Millions of yen
	2012
Other	210
Total	¥210

18. OPERATING REVENUES

Operating revenues for the years ended March 31, 2013 and 2012, were comprised of the following revenues and expenses:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Income from the credit service business	**¥189,137**	¥197,494	**$2,008,886**
Income from the lease business	**14,409**	14,645	**153,043**
Income from the finance business	**17,208**	15,446	**182,776**
Real estate related business:			
Sales	**37,010**	49,814	**393,095**
Costs of sales*	**27,287**	46,847	**289,820**
Income from the real estate related business	**9,723**	2,967	**103,275**
Entertainment business:			
Sales	**76,574**	76,604	**813,316**
Cost of sales	**62,985**	63,614	**668,977**
Income from the entertainment business	**13,589**	12,990	**144,339**
Financial income	**339**	467	**3,593**
Total operating revenues	**¥244,405**	¥244,009	**$2,595,912**

*Cost of sales included write-downs of inventories amounting to ¥1,205 million (US$12,803 thousand) as of March 31, 2013 and ¥10,702 million as of March 31, 2012.

19. LIQUIDATION BUSINESS

In connection with the restructuring of the real estate-related business, the Company has classified these operations into continuing business and liquidation business. Accordingly, the Company has recorded liquidation business assets in investment and other assets, and loss on liquidation business in nonoperating expenses.

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

	Millions of yen	Thousands of U.S. dollars
	2013	**2013**
Real estate	**¥ 97,480**	**$1,035,372**
Receivables	**40,476**	**429,911**
Total	**¥137,956**	**$1,465,283**

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

	Millions of yen	Thousands of U.S. dollars
	2013	**2013**
Income from the sales of real estate	**¥ 1,678**	**$ 17,818**
Income from the leases of real estate	**2,186**	**23,220**
Other	**(3,889)**	**(41,309)**
Total	**¥ (25)**	**$ (271)**

20. DERIVATIVES

(A) Nonhedged derivative transactions as of March 31, 2013 and 2012, are summarized below:

(i) Interest rate transactions

Millions of yen

	2013			2012		
	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	**¥11,500**	**¥5,500**	**¥89**	¥13,500	¥11,500	¥149
Total	**¥11,500**	**¥5,500**	**¥89**	¥13,500	¥11,500	¥149

Thousands of U.S. dollars

	2013		
	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	**$122,146**	**$58,417**	**$947**
Total	**$122,146**	**$58,417**	**$947**

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

(ii) Other

Millions of yen

	2012		
	Contractual value or notional principal amount		Unrealized profit (loss)
	Total	Over 1 year	
Over-the-counter credit derivatives:			
Selling of protection	¥3,000	¥—	¥47
Total	¥3,000	¥—	¥47

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

(B) Hedged derivative transactions as of March 31, 2013 and 2012, are summarized below:

Millions of yen

		2013			2012		
		Contractual value or notional principal amount			Contractual value or notional principal amount		
	Mainly hedged objects	Total	Over 1 year	Fair value	Total	Over 1 year	Fair value
Interest rate swaps recognized in general rule:							
Floating-rate receipt/ fixed-rate payment	Long-term debt	**¥195,200**	**¥152,200**	**¥(2,329)**	¥176,826	¥150,826	¥(2,428)
Interest rate swaps recognized in specific rule:							
Floating-rate receipt/ fixed-rate payment	Long-term debt	**249,502**	**199,530**	**(5,505)**	308,841	215,400	(7,442)
Fixed-rate receipt/ floating-rate payment	Long-term debt	**15,000**	**5,000**	**94**	15,000	15,000	45
Total		**¥459,702**	**¥356,730**	**¥(7,740)**	¥500,667	¥381,226	¥(9,825)

	Mainly hedged objects	Thousands of U.S. dollars 2013 Contractual value or notional principal amount Total	Over 1 year	Fair value
Interest rate swaps recognized in general rule:				
Floating-rate receipt / fixed-rate payment	Long-term debt	$2,073,287	$1,616,569	$(24,737)
Interest rate swaps recognized in specific rule:				
Floating-rate receipt/ fixed-rate payment	Long-term debt	2,650,048	2,119,278	(58,472)
Fixed-rate receipt/ floating-rate payment	Long-term debt	159,320	53,107	1,000
Total		$4,882,655	$3,788,954	$(82,209)

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

21. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2013, the Companies were contingently liable as credit guarantors for customers borrowing from our alliance banks amounting to ¥193,125 million (US$2,051,243 thousand).

22. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of yen 2013	2012	Thousands of U.S. dollars 2012
Unrealized gains on available-for-sale securities			
Gains arising during the year	¥12,507	¥2,588	$132,845
Reclassification adjustments to profit or loss	105	25	1,116
Amount before income tax effect	12,612	2,613	133,961
Income tax effect	(4,485)	(603)	(47,641)
Total unrealized gains on available-for-sale securities	8,127	2,010	86,320
Deferred losses on derivatives under hedge accounting			
Gains (losses) arising during the year	1,066	(724)	11,320
Reclassification adjustments to profit or loss	(1,005)	1,049	(10,672)
Amount before income tax effect	61	325	648
Income tax effect	(22)	(253)	(231)
Total deferred losses on derivatives under hedge accounting	39	72	417
Share of other comprehensive income in affiliated companies			
Gains arising during the year	2,223	1,464	23,614
Reclassification adjustments to profit or loss	(2)	15	(27)
Total share of other comprehensive income in affiliated companies	2,221	1,479	23,587
Total other comprehensive income	¥10,387	¥3,561	$110,324

23. EQUITY

(A) EQUITY

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

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

i. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria , the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

However, the Company cannot do so because it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate.

The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

iii. Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors.

The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(B) COMMON STOCK

The Company has 300,000,000 authorized shares of which 185,444,772 shares as of March 31, 2013, and 185,444,772 shares as of March 31, 2012, were issued.

Type and number of shares issued and treasury stock

	Thousands of shares	
	Issued shares (Common stock)	Treasury stock (Common stock)
Balance at April 1, 2011	185,445	1,810
Number of shares increase	—	2*1
Number of shares decrease	—	0*2
Balance at March 31, 2012	185,445	1,812
Number of shares increase	**—**	1*3
Number of shares decrease	**—**	**—**
Balance at March 31, 2013	**185,445**	**1,813**

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

(C) DIVIDEND

i. Dividend payment

		Total amount		Dividend per share			
Resolution	Type of share	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
General Meeting of Shareholders on June 27, 2012	Common stock	¥5,511	$58,538	¥30.00	$0.319	March 31, 2012	June 28, 2012

ii. For dividend payments with an effective date in the year ended March 31, 2014, the record date occurred in the year ended March 31, 2013

			Total amount		Dividend per share			
Resolution	Type of share	Source of payment	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Record date	Effective date
General Meeting of Shareholders on June 26, 2013, approved	Common stock	Retained earnings	¥5,511	$58,538	¥30.00	$0.319	March 31, 2013	June 27, 2013

24. CASH FLOWS INFORMATION

(A) The balance of cash and cash equivalents as of March 31,2013 and 2012, is reconciled with the respective consolidated balance sheet items as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Consolidated balance sheet			
Cash and deposits	**¥57,524**	¥60,085	**$610,987**
Segregated trustee deposits	**(67)**	(84)	**(724)**
Cash and cash equivalents at the end of year	**¥57,457**	¥60,001	**$610,263**

(B) Noncash investing and financing activities as of March 31, 2013 and 2012, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Assets and liabilities from finance leases recorded in the current fiscal year	**¥ 1,326**	¥1,008	**$ 14,088**
Transfer from inventories, accounts receivable—installment, property and equipment to liquidation business assets with the restructuring of the real estate related business.	**156,340**	—	**1,660,541**
Transfer from inventories to property and equipment	**10,009**	4,620	**106,312**

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Proceeds from sales of investment securities	**¥302**	¥ 971	**$3,212**
Proceeds from redemptions of investment securities	**—**	1,028	**—**
Proceeds from distribution of limited liability partnerships and other similar partnerships or return of capital	**122**	50	**1,287**
Total proceeds from sales or redemptions of investment securities	**¥424**	¥2,049	**$4,499**

(D) BREAKDOWN OF MAJOR ASSETS AND LIABILITIES THAT DECREASED OWING TO AN ABSORPTION-TYPE COMPANY SPLIT

The following is a breakdown of the assets and liabilities the Company succeeded to Seven CS Card Service Co., Ltd. by an absorption-type company split and proceeds.

	Millions of yen
	2012
Current assets	¥158,288
Noncurrent assets	49
Current liabilities	(742)
Difference	157,595
Value of the shares transferred	(21,801)
Proceeds from an absorption-type company split	¥135,794

25. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share (“EPS”) for the years ended March 31, 2013 and 2012, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2013:	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥32,770**	**183,633**	**¥178.45**	**$1.895**
Effect of dilutive securities				
Securities issued by a consolidated subsidiary	**(129)**			
Diluted EPS				
Net income for computation	**32,641**	**183,633**	**177.75**	**1.888**

	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2012:	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	¥9,454	183,634	¥51.48	$0.627
Effect of dilutive securities				
Securities issued by a consolidated subsidiary	(114)			
Diluted EPS				
Net income for computation	9,340	183,634	50.86	0.619

26. SEGMENT INFORMATION

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

(A) DESCRIPTION OF REPORTABLE SEGMENTS

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

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

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

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

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

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

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

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

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

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

For the years ended March 31, 2013 and 2012

(C) Information about operating revenues, profit (loss), assets and other items is as follows:

Millions of yen

Year ended March 31, 2013 Reportable segment	Operating revenues									
	Outside customers	Inter segment	Total	Segment profit	Segment assets	Depreciation	Financial cost	Credit cost	Investment in equity method-affiliated companies	Increase in property, plant and equipment and intangible assets
Credit service	¥189,476	¥ 1,008	¥190,484	¥24,192	¥1,457,586	¥ 8,944	¥ 9,329	¥17,140	¥49,095	¥23,221
Lease	14,409	25	14,434	6,147	255,002	208	3,036	2,153	—	182
Finance	17,208	119	17,327	8,985	95,655	151	1,031	3,812	—	85
Real Estate related	9,723	84	9,807	955	315,355	930	1,634	(50)	—	9,736
Entertainment	13,589	8	13,597	2,104	18,580	2,812	11	—	1,535	3,445
Total	244,405	1,244	245,649	42,383	2,142,178	13,045	15,041	23,055	50,630	36,669
Reconciliations	—	(1,244)	(1,244)	(71)	(376)	(4)	(119)	75	—	—
Consolidated	¥244,405	¥ —	¥244,405	¥42,312	¥2,141,802	¥13,041	¥14,922	¥23,130	¥50,630	¥36,669

Millions of yen

Year ended March 31, 2012 Reportable segment	Operating revenues									
	Outside customers	Inter segment	Total	Segment profit (loss)	Segment assets	Depreciation	Financial cost	Credit cost	Investment in equity method-affiliated companies	Increase in property, plant and equipment and intangible assets
Credit service	¥197,931	¥ 944	¥198,875	¥ 27,161	¥1,464,670	¥10,494	¥11,290	¥22,948	¥40,372	¥31,138
Lease	14,646	24	14,670	5,099	247,157	236	3,063	3,578	—	176
Finance	15,469	246	15,715	7,781	106,415	216	1,172	3,325	—	74
Real Estate related	2,973	86	3,059	(10,174)	330,637	833	4,645	751	—	8,378
Entertainment	12,990	9	12,999	2,066	16,058	2,552	34	—	—	2,545
Total	244,009	1,309	245,318	31,933	2,164,937	14,331	20,204	30,602	40,372	42,311
Reconciliations	—	(1,309)	(1,309)	(67)	(9,031)	(3)	(246)	70	—	—
Consolidated	¥244,009	¥ —	¥244,009	¥ 31,866	¥2,155,906	¥14,328	¥19,958	¥30,672	¥40,372	¥42,311

Year ended March 31, 2013 Reportable segment	Operating revenues Outside customers	Inter segment	Total	Segment profit	Segment assets	Depreciation	Financial cost	Credit cost	Investment in equity method-affiliated companies	Increase in property, plant and equipment and intangible assets
										Thousands of U.S. dollars
Credit service	$2,012,476	$ 10,712	$2,023,188	$256,952	$15,481,544	$ 95,001	$ 99,097	$182,055	$521,457	$246,634
Lease	153,046	268	153,314	65,290	2,708,463	2,210	32,243	22,867	—	1,935
Finance	182,776	1,260	184,036	95,434	1,015,983	1,599	10,951	40,484	—	902
Real Estate related	103,275	893	104,168	10,141	3,349,492	9,881	17,350	(531)	—	103,415
Entertainment	144,339	84	144,423	22,346	197,343	29,865	115	—	16,299	36,588
Total	2,595,912	13,217	2,609,129	450,163	22,752,825	138,556	159,756	244,875	537,756	389,474
Reconciliations	—	(13,217)	(13,217)	(751)	(3,997)	(39)	(1,261)	799	—	—
Consolidated	$2,595,912	$ —	$2,595,912	$449,412	$22,748,828	$138,517	$158,495	$245,674	$537,756	$389,474

RELATED INFORMATION

(A) INFORMATION ABOUT PRODUCTS AND SERVICES

Years ended March 31, 2013 and 2012, were as follows:

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

(B) INFORMATION ABOUT GEOGRAPHIC REGION

(i) Operating Revenues

Years ended March 31, 2013 and 2012, were as follows:

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

(ii) Tangible Property and Equipment

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

(C) INFORMATION ABOUT MAJOR CUSTOMERS

Years ended March 31, 2013 and 2012, were as follows:

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

INFORMATION REGARDING IMPAIRMENT LOSSES ON PROPERTY AND EQUIPMENT

Years ended March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
	Loss on impairment	Loss on impairment	Loss on impairment
Credit service	¥27	¥8	$283
Lease	—	—	—
Finance	—	—	—
Real Estate related	—	31	—
Entertainment	7	9	74
Total	34	48	357
Reconciliations	—	—	—
Consolidated	¥34	¥48	$357

INFORMATION REGARDING AMORTIZATION OF GOODWILL AND UNAMORTIZED BALANCE OF GOODWILL

Years ended March 31, 2013 and 2012, were as follows:

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

INFORMATION REGARDING GAINS ARISING FROM NEGATIVE GOODWILL

Years ended March 31, 2013 and 2012, were as follows:

There were no significant gains from negative goodwill.

27. RELATED PARTY DISCLOSURES

Transactions and balances of the Company with its affiliated companies for the years ended March 31 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
UC Card Co., Ltd.	2013	2012	2013
Transactions:			
Volume of new contracts	¥1,089,100	¥1,080,393	$11,567,713
Balances:			
Accounts payable	68,322	66,894	725,676
Prepaid expenses and other assets (other receivable)	6,178	6,467	65,620

	Millions of yen		Thousands of U.S. dollars
Seven CS Card Service Co., Ltd.	2013	2012	2013
Transactions:			
Volume of new contracts	¥703,228	¥701,400	$7,469,235
Balances:			
Accounts receivable—installment	43,594	43,058	463,023

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

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

28. SUBSEQUENT EVENT

There is no applicable information.

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel:+81 (3) 3457 7321
Fax:+81 (3) 3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Credit Saison Co., Ltd. and its consolidated subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Credit Saison Co., Ltd. and its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 26, 2013

Member of
Deloitte Touche Tohmatsu Limited

CORPORATE HISTORY

1951
May

Established as a retailer specializing in installment sales.

1968
Jun.

Listed on the First Section of the Tokyo Stock Exchange.

1976
Mar.

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

1980
Aug.

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

1982
Aug.

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

Started the lease business.

1983
Mar.

Seibu Card name changed to SAISON CARD.

1985
May

Started credit guarantee business.

1988
Jul.

Developed an international credit card with no membership fees through a tie-up with Visa and MasterCard.

VISA MasterCard

1989
Oct.

Company name changed from Seibu Credit Co., Ltd. to Credit Saison Co., Ltd.

1991
Jan.

Affinity card business started.

1992
Apr.

Credit Saison began to issue Saison Postal Savings Cards, the first cards in Japan to support signature-less transactions (in Seiyu food outlets).

1995
Jun.

Saison JCB Card issued in cooperation with JCB Co., Ltd.

1997
Oct.

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

1999
Sep.

Two combined credit/cash cards issued with regional banks, Shogin Saison cards and Suruga Saison card.

2000
Aug.

Net Answer, a web site for cardmembers, started.

2001
Mar.

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

Nov.

Supporting company contract for the Japan national soccer team concluded.

2002
Feb.

Shares of Saison Life Insurance Co., Ltd. transferred to GE Edison Life Insurance Co., Ltd. (currently Gibraltar Life Insurance Co., Ltd.)

Eikyufumetsu Points, or SAISON Permanent Points in English, started.

永久不滅ポイント

2003
Jan.

Began using SAISON CARD EXPRESS for speedy online card issuance.

Aug.

Agreement reached on a comprehensive alliance with the card division of Idemitsu Kosan Co., Ltd. (Idemitsu Card mydoplus issued in April 2004).

Sep.

Super Value Plus, an insurance product exclusively for cardmembers, issued through a business alliance between Credit Saison, Saison Automobile and Fire Insurance Co., Ltd. and Sompo Japan Insurance Inc.

2004
Feb.

Decision made to form a strategic equity and business tie-up with Resona Holdings, Inc. (Resona Card+S (Resona Card Saison) was issued in October 2004).

Apr.

Basic agreement reached with Takashimaya Company, Limited on a strategic alliance in the credit card business. (TAKASHIMAYA Saison Card issued in September 2004).

Aug.

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

SAISON CARD INTERNATIONAL UC

2005
Apr.

New credit center Ubiquitous started operation.

Mizuho Mileage Club Card Saison issued.

2005

Oct.

Saison Platinum American Express Card issued.

Dec.

Credit Saison acquired additional shares of Resona Card Co., Ltd., making this company an equity-method affiliate.

2006

Jan.

Credit Saison merged with UC Card Co., Ltd. (card issuance business).

Mar.

New loan product, Saison Card Loan, issued.

Jun.

Comprehensive alliance formed with Yamada Denki Co., Ltd. in the credit card business (Yamada LABI Card launched in July of the same year).

Jul.

Agreements to form a business alliance with The Shizuoka Bank, Ltd. (Shizugin Saison Card Co., Ltd. established in October 2006 and ALL-S Card issued in April 2007).

Oct./Nov.

Eikyufumetsu.com points exchange website launched.

JPN COLLECTION SERVICE CO., LTD. listed on the Hercules Section of the Osaka Securities Exchange.

Shareholder agreement signed with Daiwa House Industry Co., Ltd. and joint venture established (Heart One Card issued in May 2007).

2007

Mar.

Saison Asset Management Co., Ltd. launched own investment trusts.

Agreement for comprehensive alliance with Yamaguchi Financial Group, Inc. (YM Saison Card issued in October 2007).

Jun./Jul.

Maximum interest rate for cash advances reduced to 18%.

Oct.

Established Qubitous Co., Ltd., the industry's first comprehensive processing service specialist.
(Qubitous was made a consolidated subsidiary in April 2008).

Integrated SAISON and UC point services (applied SAISON Permanent Points to the UC Card point system).

2008

Jun.

Rental business launched (commencement of home appliance rental in an alliance with Yamada Denki).

Sep.

Absorbed LAWSON CS Card, Inc. by merger.

Oct.

Launched new credit operation center "Kansai Ubiquitous."

2009

Mar.

Started handling Flat 35 loans.

Apr.

Began to accept applications for Mitsui Shopping Park Card Saison.

2010

Mar.

Basic agreement reached on comprehensive business alliance with SEVEN & i FINANCIAL GROUP CO., LTD.
(Apr. 2011, Sogo & Seibu Card business was split off into a new joint venture).

Apr.

Started operation of Akagi Nature Park.

Jun.

Strengthened alliance with AMERICAN EXPRESS®.

Sep.

Formed partnership with Walmart Japan Holdings G.K., and began to accept applications for Walmart Card Saison.

2011

Jul.

Issued the NEO Money international prepaid card targeting Japanese residents traveling outside Japan.

Aug.

Tie-up with China UnionPay for affiliated store operations in Japan.

Nov.

Enabled use of Eikyufumetsu points for net shopping.

2012

Apr.

Started handling "Flat 35 Plus" mortgage loan packages.

Jun.

Established a representative office in Hanoi, Vietnam.

Aug.

Conducted O2O demonstration trial in Ikebukuro, Tokyo.

2013

Jan.

Started handling Saison Asset Formation Loans , a loan product for purchasing condominiums for investment.

Apr.

Established local subsidiary in Vietnam to conduct consulting business.

Issued COCOKARA CLUB CARD, Japan's first Visa prepaid card usable at real stores.

Entered alliance with Coiney, Inc. on smartphone settlements.

MAJOR GROUP COMPANIES

(As of March 31, 2013)

Atrium Group

Atrium will specialize in its original two core businesses: short-term, high-turnover real estate liquidation for small- and medium-sized properties, and the special servicing business. It will also further refine and enhance the knowledge and skills that it has developed through its involvement in the real estate business.

Atrium produces value by regenerating real estate assets. We aim to build customer confidence and support by focusing on customer satisfaction and implementing effective compliance and corporate governance.

JPN Holdings

The JPN Group has JPN Holdings Co., Ltd. as a pure holding company. The Group's subsidiaries are JPN COLLECTION SERVICE CO., LTD., which is involved in the servicing business, humanplus Corporation, which provides temporary staffing and telemarketing services, and KINDER NURSERY Co., Ltd., which operates a childcare service. The Group aims to be top in quality in each of its operations, pursuing services that will support customers' business development by providing solutions to their issues.

SAISON FUNDEX CORPORATION

Under SAISON's Loan Hyakusen, Saison Fundex offers Saison Fundex VIP Loan Card, as well as the contract-type loan products Lifestyle Support Loans and Real Estate Mortgage Loans. The company is developing the guarantee business through business cooperation with various financial institutions to cover loans collateralized by real estate properties, and is also adding project finance operations for real estate developers. Saison Funding provides reliable products that have won support from many customers. Going forward, the company intends to further improve the quality of its services and to meet the funding needs of various customers.

Concerto Inc.

Concerto operates the amusement business, real estate rental business, and membership club management. "Concert Hall" is an amusement facility which contributes to local communities while combining spacious facilities with finely-tuned services. In the real estate leasing business, the company operates appealing, functional commercial facilities centered on THE PRIME. Through the members' club uraku AOYAMA, the company will offer high quality services with a strong sense of hospitality, and create an elegant multi-purpose facility that will leave customers impressed.

Qubitous Co., Ltd.

Qubitous provides processing services in the areas of credit card application screening, monitoring, call center operation, and other processing operations, with a focus on credit services. The company engages in contracted processing for more than 80 client companies, primarily for Saison brand and UC brand credit cards.

The company will seek active expansion of its contracted processing business with the aim of being the No. 1 comprehensive processing company in both quality and quantity by providing high-quality services and attaining cost leadership.

Saison Information Systems Co., Ltd.

Saison Information Systems engages in systems construction and operation grounded in a wealth of business process expertise developed in fields such as finance and distribution. The company offers one-stop solutions including a payroll outsourcing service called Bulas and a communications middleware file transmission tool called HULFT.

Along with its group companies, including subsidiaries Fess Co., Ltd, APPRESSO K.K., and Shanghai-based Saison Information Technology (Shanghai) Co., Ltd., the company is working to offer highly valued services.

Entertainment Plus Inc.

Entertainment Plus Inc. operates an online ticketing service called "e+" for music concerts, theater, movies, sports and other entertainment, as well as "e+Coupon," a coupon service for smartphones. The company is guided by its corporate philosophy of "constant innovation" in developing offerings for the topical entertainment market focused on new events, and will continue to develop its business going forward.

CORPORATE INFORMATION
(As of March 31, 2013)

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 http://corporate.saisoncard.co.jp/en/
Incorporated:	May 1, 1951
Paid-in Capital:	¥75,929 million
Number of Employees:	Consolidated: 3,689 Non-consolidated: 1,938
Closing of Accounts:	March 31
Stock Listing:	Tokyo Stock Exchange, First Section
Ticker No.:	8253
Independent Auditor:	Deloitte Touche Tohmatsu LLC
Transfer Agent:	Sumitomo Mitsui Trust Bank Limited. Stock Transfer Agency Business Department
Common Stock Authorized:	300,000 thousand shares
Common Stock Outstanding:	185,444 thousand shares

すべての一瞬に、永久不滅の価値を。

SAISON AMERICAN EXPRESS® CARD

至高のサービス・圧倒的なポイントプログラム セゾンカード革新のラインナップ

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 www.uccard.co.jp

SAISON CARD INTERNATIONAL

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