



Management Report (Interim FY 2004)



November 25, 2004

CREDIT SAISON CO., LTD.



AGENDA

Overview of Business for First Half of FY 2004

- ◇ Main Indices
- ◇ Credit Risk Trends
- ◇ Overview of the Consolidated Results
- ◇ Financial Indices

Progress Report on FY 2004

- ◇ Future Strategies
- ◇ Business Strategies
- ◇ New Business Strategies

Major Strategies for Second Half of FY 2004

Half-Year Financial Report for FY 2004

1

Highlights of First Half of FY 2004

First Quarter

Launched issuing of Idemitsu "Maidoplus" Card; Pace swings to well above planned figures
Agreement with Takashimaya for a strategic tie-up of their card business; Release of "TAKASHIMAYA SAISON CARD" in September
Tie-up with Katakura Industries; Release of Saitama-Shintoshin Katakura Shopping Mall "cocoon card SAISON"
Shares issued; Promoted the union of cardholders and shareholders
Launched "SAISON Housing Information", web-based provision of real estate information, first of its kind in the credit industry.

Second Quarter

Renewal of "SAISON MILE CLUB" mileage service, responding to the high needs of our cardholders
Launched new CM promotion "The Daisharin (*Giant Swing*)"; Ranked number 1 in August's survey of favorite TV commercials
Enhance financial services with tie-up with MONEX, and application for registration as a securities intermediary
Basic agreement with Mizuho Financial Group, Mizuho Bank, UC Card on forming a strategic business alliance in the credit card industry
Tie-up with TOKYO GAS; commenced credit card payment of gas bill
Established HIGHWAY PASSPORT Co., Ltd. for ETC Membership Services; Issued "Highway Passport Club Card SAISON" and "ETC Card"
Entered the home equity loan business; Shifted toward a new profit-earning business structure
Applications begun for new "Resona Card+S (Resona Card SAISON)" credit card with RESONA CARD, RESONA BANK

Since October 2004

Tie-up with the Chugoku Electric Power Company, Saibu Gas, Tokyo Gas Energy, and the Chubu Electric Power Company; Upgrades in payment system for utilities bills
Issued card in alliance with Elleseine; New card design with predominant SAISON logo

2

Main Indices for First Half of FY 2004 (1)

() = YOY

(1) New applications	1.14 million (110%)	
(2) New cards issued	0.98 million (107%)	
(3) Total cardmembers	16.36 million (106%)	+490,000 at end of previous period
(4) Active cardmembers	8.58 million (104%)	+170,000 at end of previous period
(5) Transaction volume	¥1,253.4 billion (107%)	
Card shopping	¥993.2 billion (108%)	
Card Cash advances	¥260.2 billion (101%)	

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3

Main Indices for First Half of FY 2004 (2)

() = YOY

	Non-Consolidated		Consolidated	
(6) Operating revenues	¥92.8 billion (107%)		¥117.2 billion (108%)	
(7) Ordinary income	¥22.9 billion (109%)		¥28.0 billion (113%)	
(8) Net income	¥14.2 billion (116%)		¥15.8 billion (121%)	

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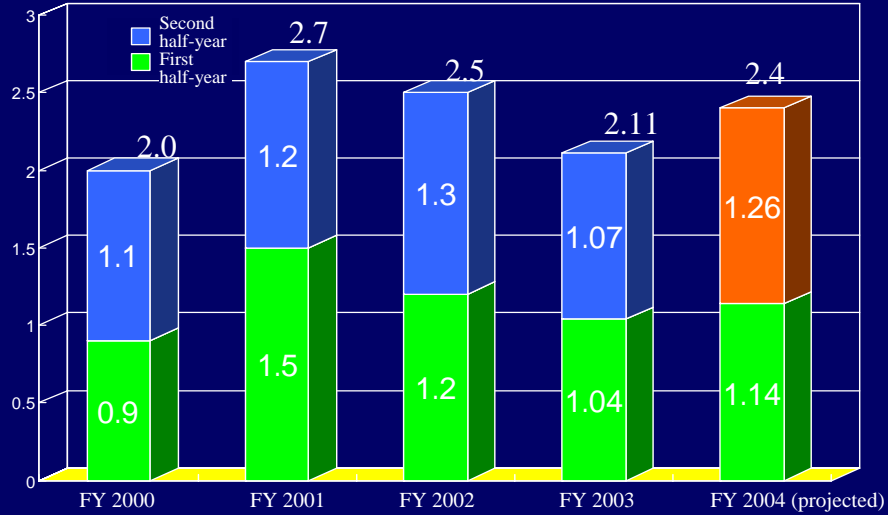
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4

(1) New applications

Target number of new applications for the year has been amended upward from 2.0 million to 2.4 million due to the affiliation with new business partners.

Units: Million



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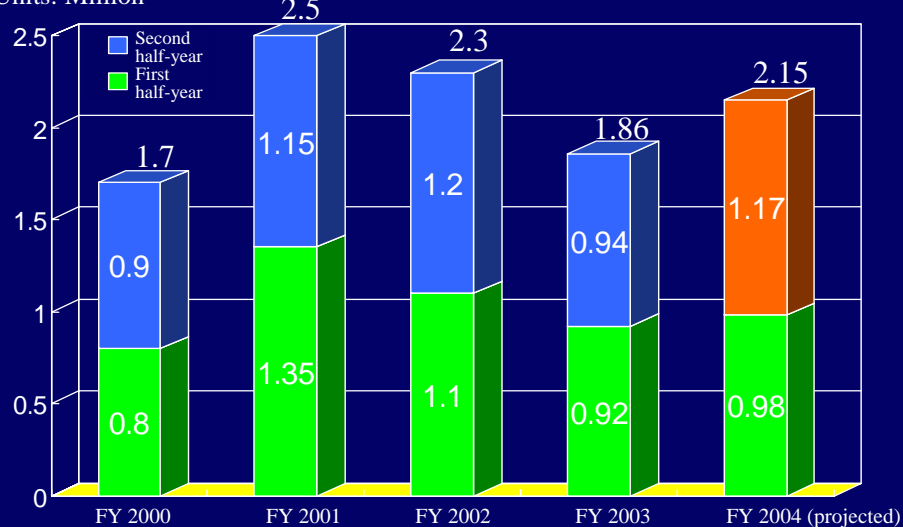
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5

(2) New cards issued

Target number of new cards issued has also risen from 1.80 million to 2.15 million, in line with the upward amendment of new applications.

Units: Million



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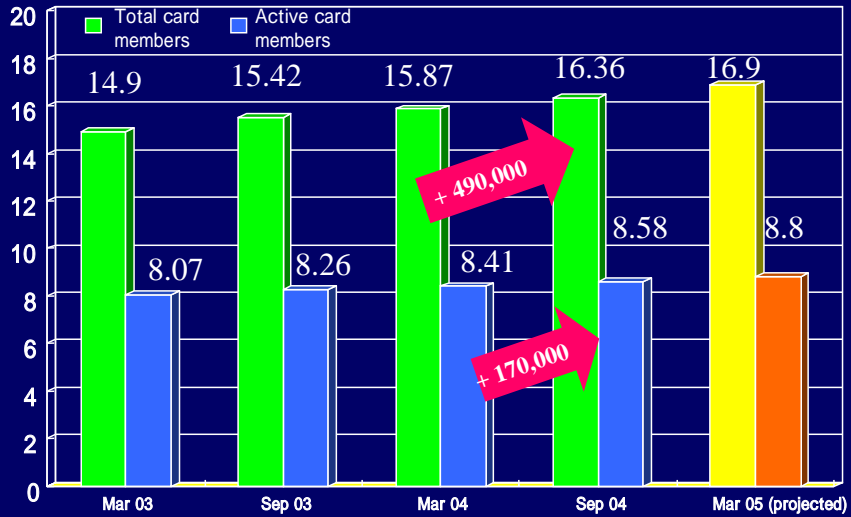
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6

(3) Total card members & (4) Active card members

The targeted total number of card members has been amended upward from 16.7 million to 16.9 million, and for active card members, from 8.7 million to 8.8 million.

Units: Million



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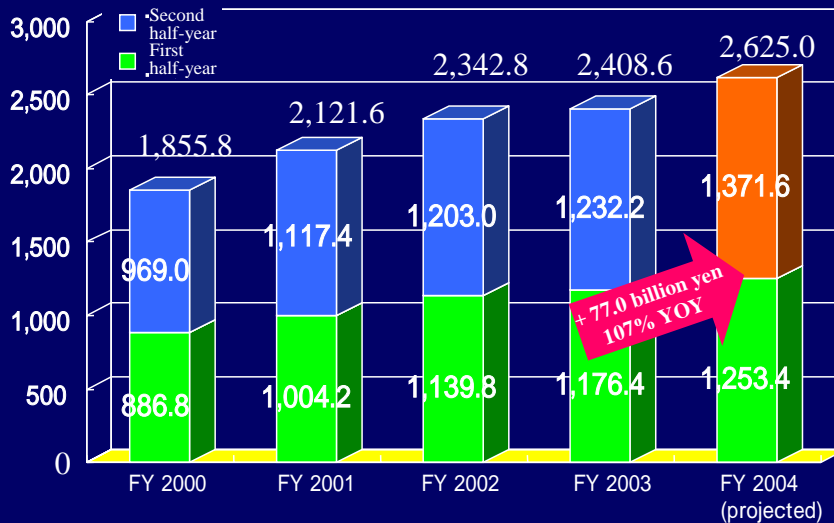
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7

(5) Transaction volume

Shopping and cash advances have both returned to growth of 8.1% and 1.0% respectively.

Units: Billion yen



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8

(6) Credit loan outstanding

Balance of shopping-related revolving credit is 103% YOY and the balance of card cash advance transactions is 107% YOY.

Units: Billion yen

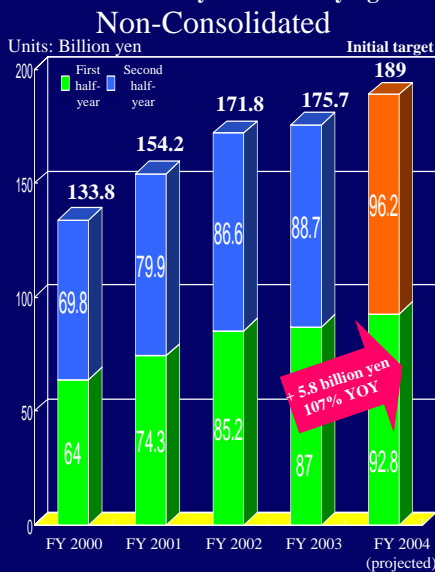


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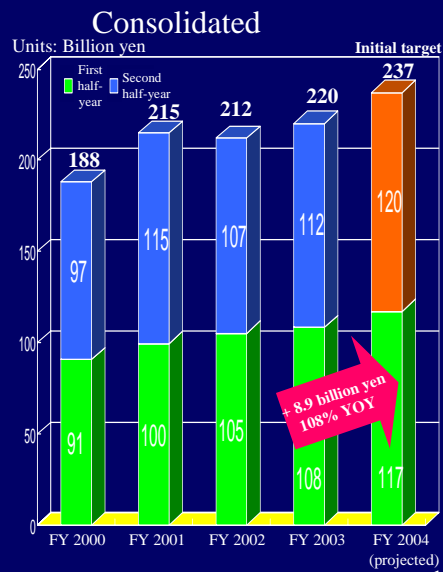
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(7) Operating revenues (Consolidated / Non-Consolidated)

Both non-consolidated (107% YOY) and consolidated (108% YOY) have shifted steadily with underlying increases.



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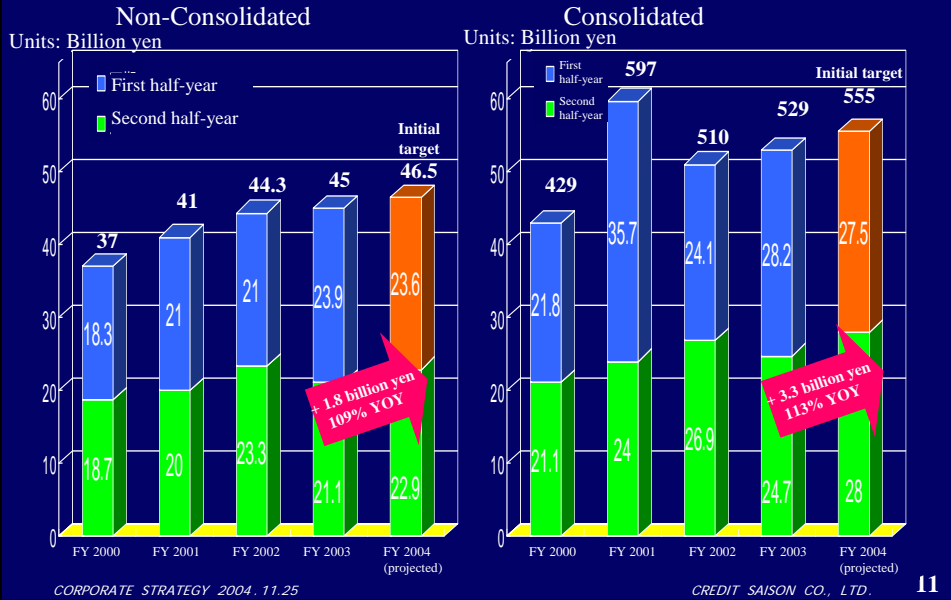


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10

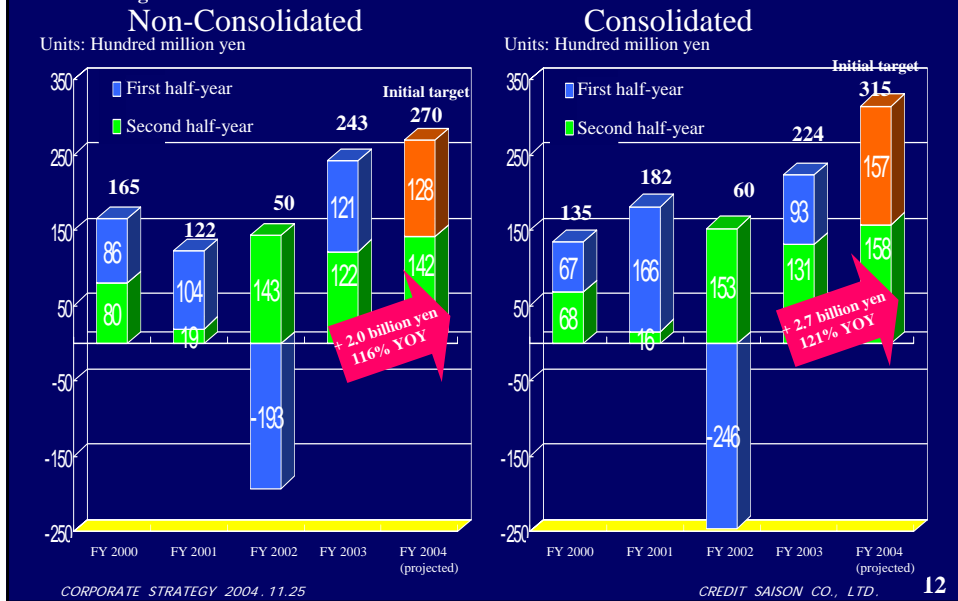
(8) Ordinary income (Consolidated/Non-Consolidated)

Due to an ease in bad debt expenses, ordinary income for the non-consolidated company was 109% YOY; and for consolidated was 113% - a double-figure increase.



(9) Net income (Consolidated/Non-Consolidated)

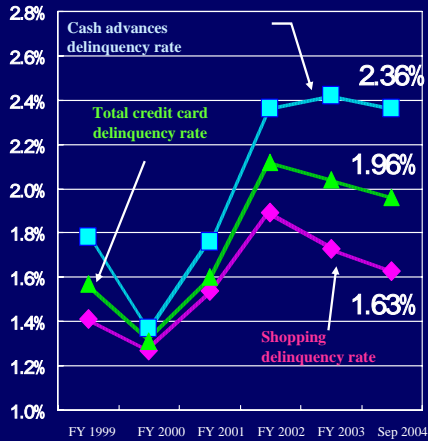
Both non-consolidated (116% YOY) and consolidated (121% YOY) made strong double-figure increases.



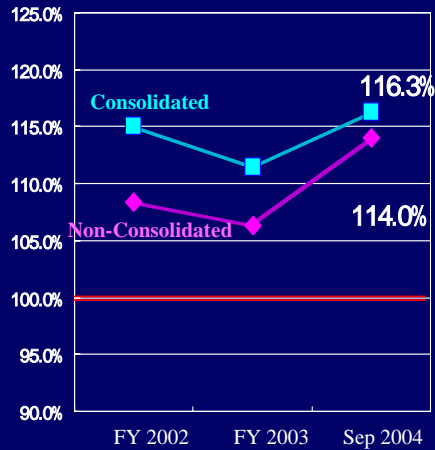
Credit Risk Trends (1) (Non-Consolidated / Consolidated)

The trend has cooled down in delinquent receivables of over 90 days .

[Non-Consolidated company: Trends in delinquent receivables of over 90 days]



[Provision rate for delinquent receivables of over 90 days]



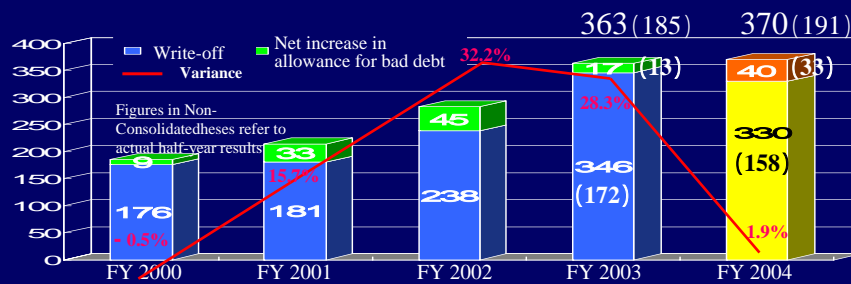
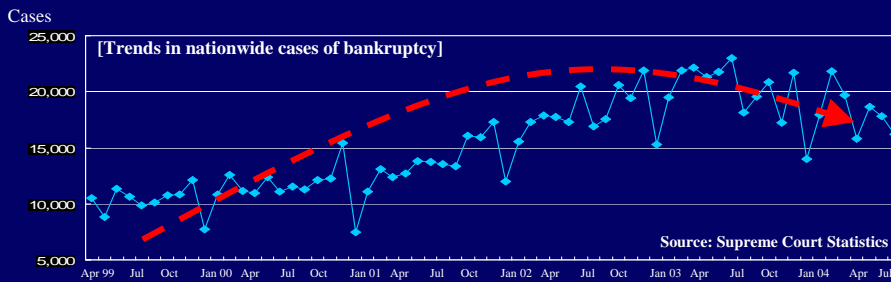
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13

Credit Risk Trends (2) (Non-Consolidated: Trends in bad debt expenses)

Amounts written off are lower than the previous year, and the full-year forecast of 40.0 billion yen has been amended downward to 37.0 billion yen.



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14

Overview of the Consolidated Results

Consolidated Trends

(Units: Hundred million yen, ratio)

	Half-year FY 2003	Half-year FY 2004	Full-year FY 2004 (target)
Ordinary income	247	280	555
Net income	131	158	315
Ratio of consolidated net income to non-consolidated-only net income	1.07	1.12	1.16
Shareholders' equity ratio	19.6%	19.6%	-

Ordinary income: Consolidated-non-consolidated variance

(Units: Hundred million yen)

	Non-Consolidated	Consolidated	Consolidated - Non-Consolidated variance
Ordinary income	229	280	51

Contributions to Consolidated Results

Main consolidated subsidiaries	Contribution to ordinary income
Saison Fundex G *Saison Fundex (loans & mortgage securities) *House Planning (real estate)	3.1 billion yen
Atrium G *Atrium (real estate) *Atrium Servicing (credit collection agent)	2.8 billion yen
Vivre G *Vivre (amusement business) *NOA Planning (consulting) *A & A (amusement business)	500 million yen
Main equity-method affiliates	Contribution to ordinary income
Idemitsu Credit (credit card industry)	-1.7 billion yen

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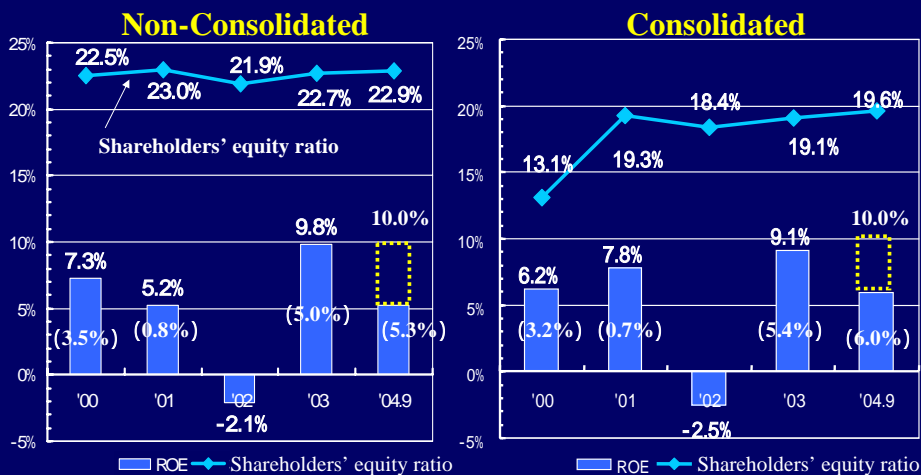
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15

Financial Indices

- ◆ **Stability** Steady movement in Shareholders' equity ratio
- ◆ **Profitability** Return on equity (ROE) close to half-year target of 10%

[Rating]
R&I A+
S&P BBB+



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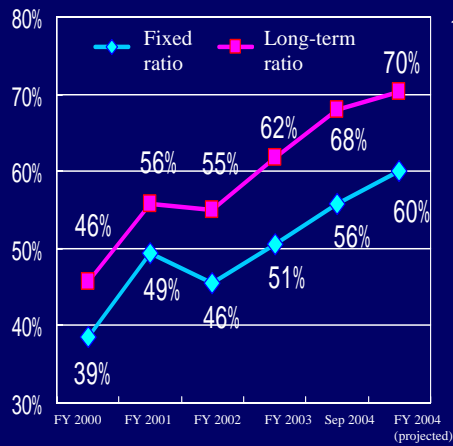
16

Procurement Structure

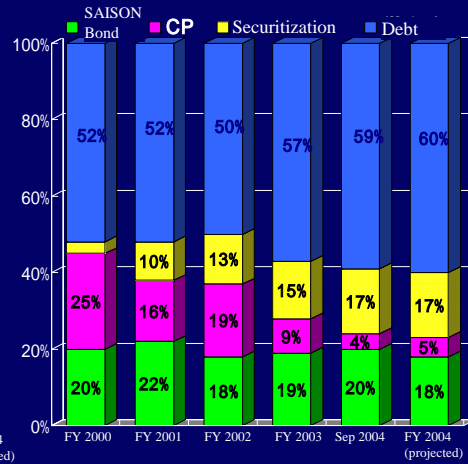
Secured long-term fixed-interest funds in light of low-interests

Working to diversify methods of procuring funds, to respond to changes in market

[Trends in fixed ratio and long-term ratio]



[Movements in ratio of interest-bearing liabilities]



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17

Progress Report on FY 2004

18

CONTENTS

I. Future Strategies

- [1] Reorganization of the credit card industry
- [2] Customer strategies
- [3] Tie-up strategies

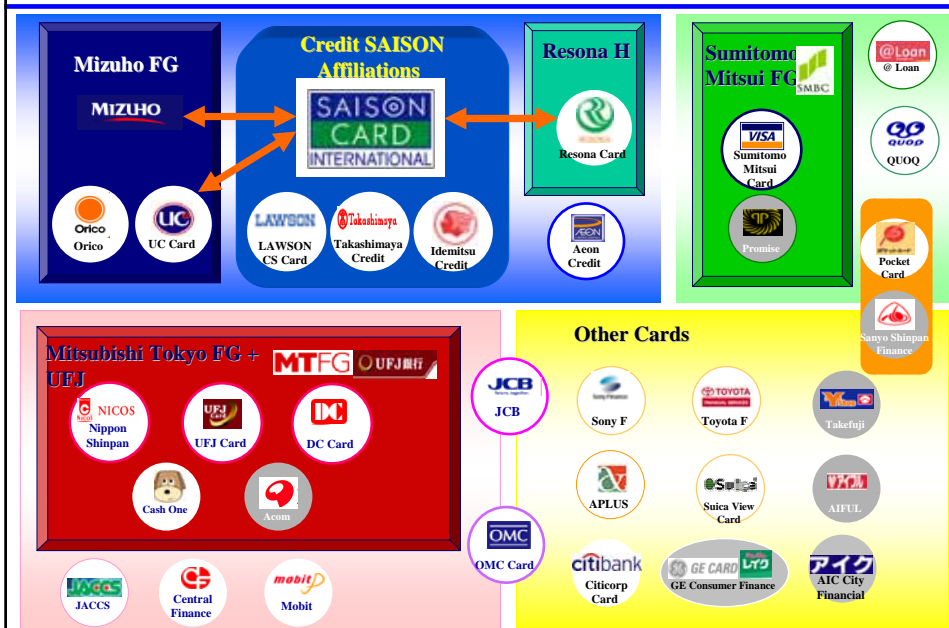
II. Business Strategies

- [1] Measures to improve profitability
- [2] Measures to improve continuity
- [3] Measures to improve safety

III. New Business Strategies

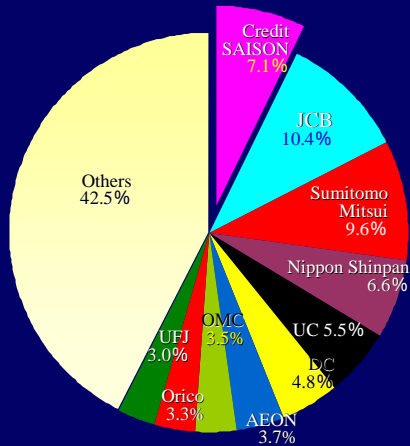
- [1] Home equity loans
- [2] Securities intermediary

I. Future Strategies [1] Reorganization of the credit card industry

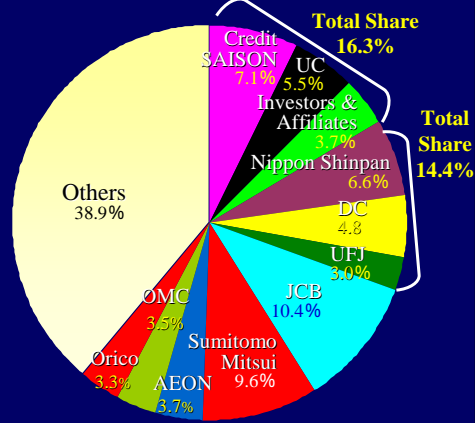


Movements in the Credit Card Market (Movements in market share of transactions)

Reorganization of the credit card industry, such as M&A, will move into full swing.
Market share of card transactions in FY 2003 on single-company basis



Market share of card transactions in FY 2003 on affiliated-group basis



Note: Investors & Affiliates is the sum of LAWSON CS Card, Idemitsu Credit, Resona Card and Takashimaya Credit

Note: Estimates based on various statistics from the Consumer Credit Monthly and the Japan Consumer Credit Industry Association (FY 2003 figures are provisional)

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21

I. Future Strategies [2] Customer strategies

< Organizing important customers >

Takashimaya SAISON Card



- Tie-up with Takashimaya
- Set up Takashimaya SAISON Counters at 19 stores across nation

Target: 1,000,000 cards (within 2 years)

Gold Card SAISON



- T&E services & Upgraded courtesy and complimentary services for Gold Cardholders
- 5% discount for shopping purchased at LOFT or Seibu Department Stores
 - Special discount at Prince Hotels
 - Discount for admission to Mori Art Museum in Roppongi Hills area
 - Preferential treatment for members-only "Uraku Aoyama" club
 - Year-round discount and preferential treatment at domestic hotels (including Imperial Hotel, Park Hyatt, etc.)

< Organizing male customers >



Idemitsu "Mydoplus" Card

- Issued by Idemitsu Credit Co., Ltd., in which SAISON has a 50% share



Resona Card +S (Resona SAISON Card)

- Issued by Resona Card Co., Ltd. in which SAISON has a 10% share



Mizuho Mileage Club Card

- The final agreement for the tie-up with the Mizuho Bank is expected to be settled by this December
- The Card will target the 1.4 million Mizuho Bank customers a year who open new accounts, as well as the already existing 26 million account holders

Applications scheduled to be accepted from spring 2005

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22

I. Future Strategies [3] Tie-up strategies

Overview of Processing Business

Earnings Plan

Units: Billion yen

	FY 2003		FY 2004	
	Actual	YOY	Target	YOY
Operating revenues	2.0	34 %	6.0	300%



New Credit Center in Eharacho, Nakano-ku
"Ubiquitous" – operations to start in April 2005

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Details of Business/Fiduciary Duties

Systems-related	System base charge
	Cardholder master maintenance charge
Applications operations	Collecting application forms (registration)
	Verifying applications (follow-up communication)
Screening	Initial review
Issuing Cards	
Monitoring	Sales registry
	Credit monitoring
	Increases to cardholder credit limits
	Notification of emergency cancellations
Invoice settlement and collection	Sales settlement agency
	Invoicing
Information operations	

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23

II. Business Strategies [1] Measures to improve profitability

< Development of credit card with the SAISON logo predominately covering full face >

Client CI (corporate identity) covering full face =
House-card type design



[Conventional design]

Card design emphasizes
"Easy to use anytime, anywhere"



SAISON Elleseine Card



Takashimaya SAISON Card

New card design which exploits the
SAISON logo for multipurpose cards

< Collaborative promotion with major clients >

Mini Settlement Promotion . . . offered cash back for portion of transactions made at Seiyu (April 22 – May 11) 1,500 people were drawn to receive up to 20,000 yen for credit transactions made at Seiyu supermarkets

Revolving Credit Promotion . . . offered 2-4 times normal points at home electronics mass retailers (April 20 – August 31) Campaign where purchasers of home electronics appliances at any of ten retailers, including Kojima, Yamada, Biccamera and Laox, who use revolving credit or who spend more than 400,000 yen, get 2 to 4 times the ordinary permanent perdurable points.

Active Use . . . Idemitsu 3x points, SAISON JTB Tour Desk 4x points

Cardholders receive 3x ordinary permanent perdurable points for gasoline purchased at Idemitsu SS, and 4x ordinary permanent perdurable points for international or domestic tours purchased at SAISON JTB Tour Desks. (Both plans have been received well and the campaign periods have been extended.)

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24

II. Business Strategies [2] Measures to improve continuity (1)

Expansion of Credit Card Use and the Resultant Effect

Expansion of the consecutive payment channels

- **Utilities fees** (Chugoku Electric Power Company, Chubu Electric Power Company, Tokyo Gas Company, Tokyo Gas Energy, Saibu Gas, and Kansai Electric Power Company, Kyushu Gas, Kawachinagano Gas and Daiwa Gas)
- **Life Insurance** (AIG Edison Life Insurance)
- **Non-life Insurance** (SAISON Automobile & Fire Insurance, Sompo Japan, Tokio Marine, American Home)
- **Mobile Phones** (DoCoMo, au, Vodafone, Tuka Cellular, DDI Pocket)
- **Internet Provider Contracts** (Yahoo!, Dion, Powered Com)
- **Newspaper Subscription Fees** (Nihon Keizai Shimbun, Yomiuri, Sankei, Mainichi)

Trend in the proportion of consecutive payments made by cards in original member stores



Expansion of individual channels

- **Supermarkets** (Promotion of credit card usage for minor payments)
- **Hospitals** (national hospitals, 150 rest homes, St. Luke's Hospital, etc)
- **Payment for ETC (electronic toll collection)**

Credit Share of Seiyu Supermarket



II. Business Strategies [2] Measures to improve continuity (2)

Permanent Points – promotions for new membership and initial activation

Expand promotion of “Easy use for absolutely anyone” with the prominence of the “permanent perdurable points” system

Broadcast of the 2004 CM

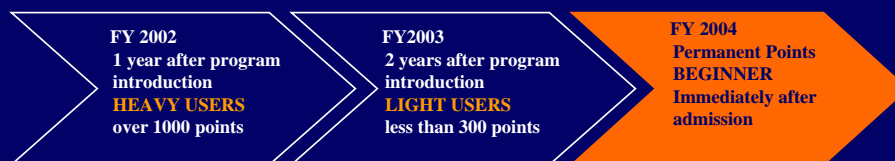
“The Daisharin (Giant Swing)”
Achieved Number 1 ranking in August's survey of favorite TV commercials

Increase in
 Recognition

1.14 million new card applications (first half-year)	+10% YOY
Activation within one month of admission	+2% YOY



Responsiveness and Effect of the Points Program



II. Business Strategies [3] Measures to improve safety

Risk Management

Approval

Credit ratio
Credit line

- Full-scale adoption of new screening system "HEART" from this April
- Tightening of credit ratio to 88%

Usage ratio
Risk ratio

- Majority of credit line is in the S 400-500 thousand yen, C 200-300 thousand yen bracket
- Usage ratio after 7 months has been maintained from FY 2003 base; Risk ratio has fallen

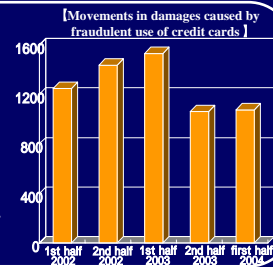
Monitoring

Credit Line

- Plans to introduce new monitoring system "CARNA" from next April

Fraud

- Switch from conventional management, which overemphasizes risk factors, and implement optimum limit setting of "Usage Score" x "Risk Score" which will predict customer's trends. Increase transactions, without detriment to opportunities for customers. Meanwhile, implement strict responses to customers who show signs of risk.
- Fraud control with "ACE" and "FALCON"



Collection

Optimization of Collection

- Model collection actions and results using data mining techniques. Will achieve a functional collection operation by adjusting optimal collection actions according to the customer segments determined by the model.

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27

III. New Business Strategies

Home Equity Loans

Launched home equity loan business in September 2004; Loan balance targeted at 200 billion yen (5 years)

Loan Product	Details	Loan Interest Rates
Home Equity Loan	Home equity loan targeted at individual customers, to make effective use of their existing real estate assets	8.0% ~ 15.0%
Business Loan	Home equity loan to address business needs such as capital investment and working capital	Fixed interest of Long-term + premium rate (3.5% ~ 8.5%)
Non-Recourse Loan	To purchase investment properties and to respond to capital needs related to development and other such investment properties	Fixed interest of Long-term + premium rate (1.5% ~ 3.5%)

Securities Intermediary

Launch securities intermediary business in mid-December 2004; expand and enhance its financial services for cardholders

- Provision of unique investment products for SAISON cardholders
- Introduction to MONEX Securities high-quality securities trading function which is easy even for novices to use
- Develop pilot program at the SAISON Counter (Ikebukuro Seibu) for setting up securities account and other securities intermediary services

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28

Major Strategies for Second Half of FY 2004

29

Summary of Policies for Second Half of FY 2004

[1] Working toward successful alliances

- (1) Promotion of the strategic tie-up with the Mizuho Financial Group
 - Efforts aimed at an all-in-one card (issue scheduled for spring 2005)
 - Promotion of alliance with UC Card (Integration of issuer business scheduled for spring 2006)
- (2) Promote take-up of “Takashimaya Card SAISON” – the alliance card with Takashimaya (issuance commenced in September 2004)
- (3) Expansion of the processing business
 - Expand business with new alliances including Idemitsu Credit Co., Ltd. and Resona Card Co., Ltd.

[2] Working toward expansion of credit business

- (1) Enhancement of the review system which takes into account the balance of risk and profit
 - Use of “HEART” initial screening/approval system
- (2) Enhancement of promotions which revitalize membership
 - Enhancement of collaborative promotions with major clients
 - Enhancement of promotions aimed at expanding the male market (ETC, gas stations, etc)
- (3) Expansion of utilities and mobile phone payments
- (4) Transfer business to the new credit center “Ubiquitous” with an aim at improving efficiency and quality of business operations (Activation in April 2005)
 - Consignment of processing
 - Reduction in costs by centralizing business
 - Strengthening the promotion function of the call center
- (5) Promotion of the diversification and stabilization of the financing methods for supporting the business framework



The figures contained in this document, which describe the outlook of business etc, are projected calculations based on conclusions and suppositions according to the information currently available to us. Future actual results of business performance may differ substantially from the projections described here due to the inherent uncertainty of such conclusions and suppositions, as well as variable factors such as future business operations and/or economic conditions.