

Management Report FY 2005

May , 2005



Credit Saison Co., Ltd .

Financial Report for FY 2004

. Overview of Business

. Progress Report on FY 2005
of Medium Term Business Plan

Management Strategy for FY 2005

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 business results 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.

Financial Report for FY 2004



Financial Report for FY 2004

. Overview of Business

1 . Highlights

2 . Operating Results

3 . Credit Risk Trends

4 . Financial Indices

5 . Main Indices (Non-Consolidated)



Highlights of FY 2004

Non-consolidated Consolidated

First and Second Quarter

Began issuing Idemitsu “Maido Plus” 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

Renewal of “SAISON MILE CLUB” mileage service, responding to the high needs of our cardholders

Launched new TV commercial, “The Daisharin (*Giant Swing*)”; Ranked number 1 in August survey of favorite TV commercials

Basic agreement with Mizuho Financial Group, Mizuho Bank, UC Card on forming a strategic alliance in the credit card business

Tie-up with TOKYO GAS; commenced credit card payment of gas bills

Tie-up with Atrium; Entered home equity loan business, began building new revenue businesses

Third and Fourth Quarter

Applications begun for new “Resona Card+S (Resona Card SAISON)” credit card with RESONA CARD, RESONA BANK

Atrium: Received BBB credit rating from Japan Credit Rating Agency, Ltd.

Enhanced Travel & Entertainment functions of Saison American Express Card

Tie-up with N.S. SHOJI; Began issuing “SAISON elleseine Card”

Credit Saison commences securities intermediary business

JPN Servicer Co., Ltd.: Received ABSS2+ servicer rating from Fitch Ratings



Applications begun for the new Prince Card issued through alliance with Prince Hotels



Business Results

()=YOY

Non-Consolidated

Consolidated

Operating revenues	FY2004 Actual	¥190.2 billion (108%)		¥240.4 billion (109%)	
	FY2005 Target	¥203.0 billion (107%)		¥252.0 billion (105%)	

Ordinary income	FY2004 Actual	¥47.0 billion (104%)		¥56.5 billion (107%)	
	FY2005 Target	¥50.0 billion (106%)		¥60.0 billion (106%)	

Net income	FY2004 Actual	¥25.8 billion (106%)		¥31.8 billion (142%)	
	FY2005 Target	¥30.0 billion (116%)		¥34.0 billion (107%)	



Results by Business Segment

Units: Billion yen %

	Operating revenues			Operating income		
	FY2003	FY2004	increase	FY2003	FY2004	increase
Credit & Finance	182.0	196.2	7.8%	46.8	48.2	3.0%
Entertainment	15.6	17.0	8.9%	1.3	1.4	2.0%
Real estate	1.10	13.4	22.0%	4.2	5.5	30.9%
Lease	5.6	6.9	22.2%	1.9	2.6	36.6%
Others	7.6	8.4	9.7%	2.9	4.4	54.1%
Total	221.8	241.8	9.0%	57.1	62.1	8.7%
Intergroup transactions	(1.4)	(1.4)	-	(3.1)	(3.5)	-
Consolidated	220.3	240.4	9.1%	54.0	58.6	8.5%

Contribution to Consolidated Results

Consolidated Trends

(Units: Billion yen; times)

	FY 2003	FY 2004	FY 2005 (target)
Ordinary income	53.0	56.5	60.0
Net income	22.4	31.8	34.0
Ratio of consolidated to non-consolidated net income (times)	0.92	1.23	1.13
Shareholders' equity ratio	19.1%	19.9%	-

Ordinary income: Consolidated/Non-consolidated difference (Units: Billion yen)

	Non- Consolidated	Consolidated	Consolidated -Non- Consolidated
Ordinary income	47.0	56.5	9.5

Contribution to Consolidated Results

Main consolidated subsidiaries	Contribution to ordinary income
Saison Fundex G · Saison Fundex (loans & mortgage securities) · House Planning (real estate)	¥4.7 billion
Atrium G · Atrium (real estate) · Atrium Servicing (credit collection agency)	¥4.0 billion
Vivre G · Vivre (amusement business) · NOA Planning (consulting) · A & A (amusement business)	¥0.9 billion
Main equity-method affiliates	Contribution to ordinary income
Idemitsu Credit (credit card business)	-1.5 billion yen

Operating Revenues (Consolidated/Non-Consolidated)

Revenue increase from growth in Card business, Real Estate and Leasing businesses: Consolidated +9%, Non-Consolidated +8%

【 Consolidated 】

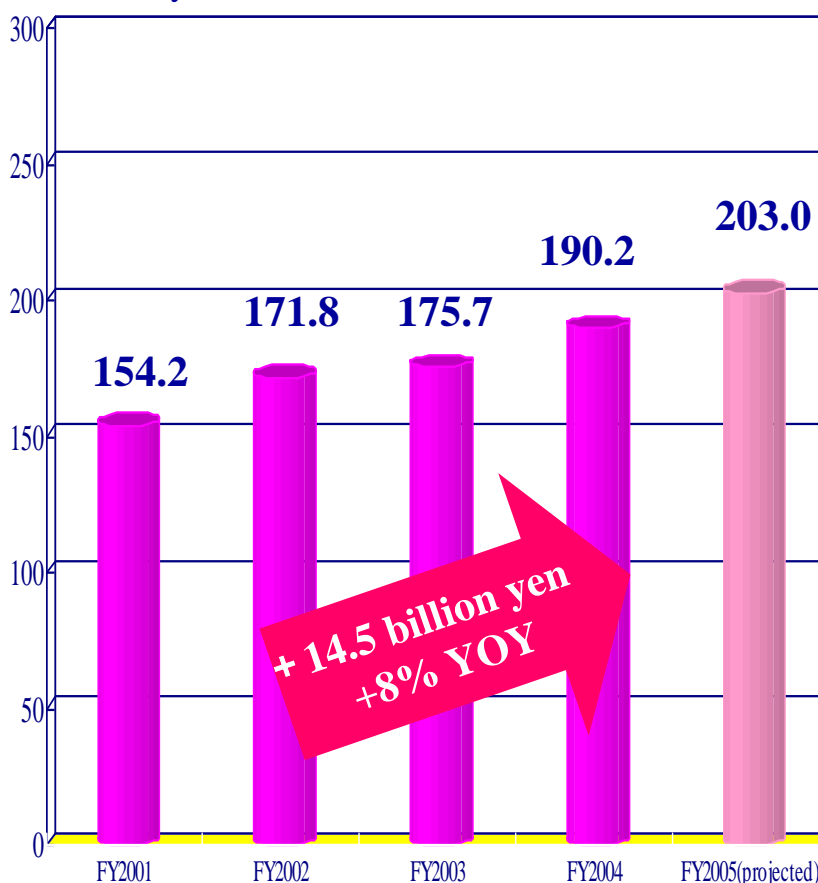
Unit: Billion yen



CORPORATE STRATEGY 2005

【 Non-Consolidated 】

Unit: Billion yen



CREDIT SAISON CO., LTD.

Ordinary Income (Consolidated/Non-Consolidated)

Despite higher strategic investment costs, easing of credit cost in ordinary income increase: Consolidated +9%, Non-Consolidated +8%

【 Consolidated 】

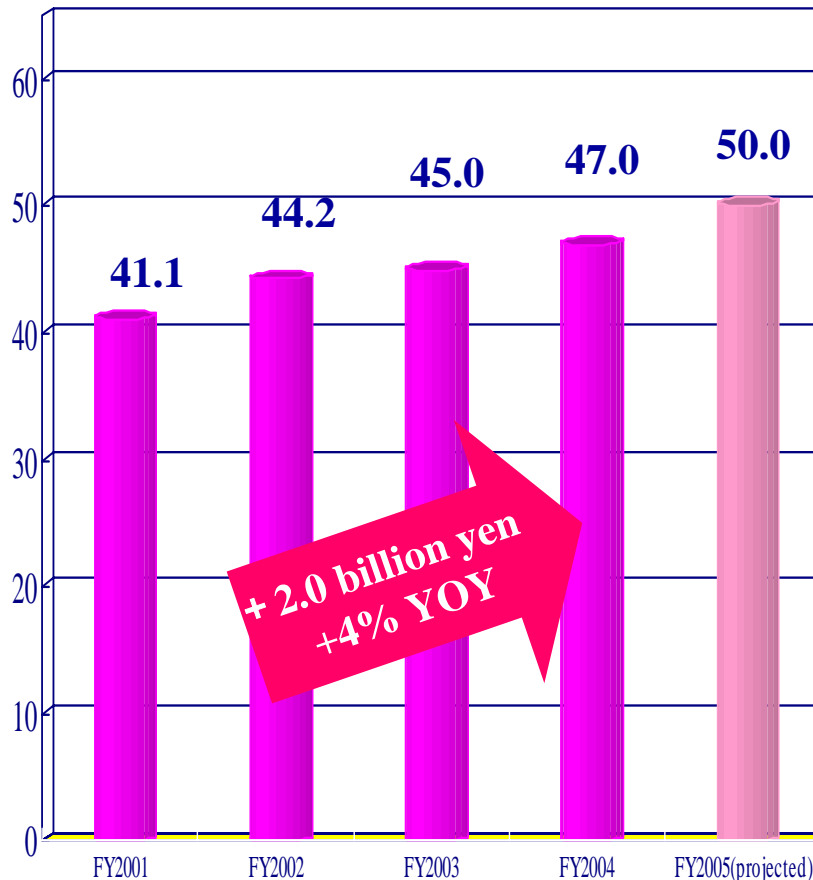
Unit: Billion yen



CORPORATE STRATEGY 2005

【 Non-Consolidated 】

Unit: Billion yen



CREDIT SAISON CO., LTD.

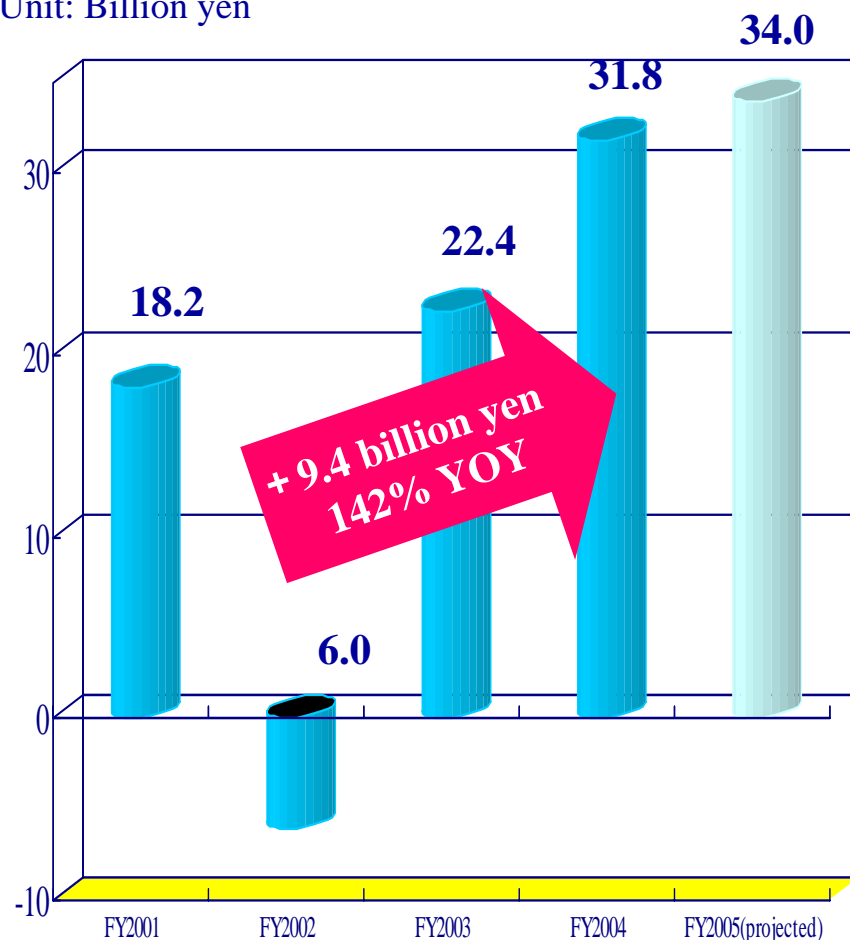


Net Income (Consolidated/Non-Consolidated)

Due to asset impairment losses in the previous fiscal year, consolidated net income increased 42%. Non-consolidated income increased 6%.

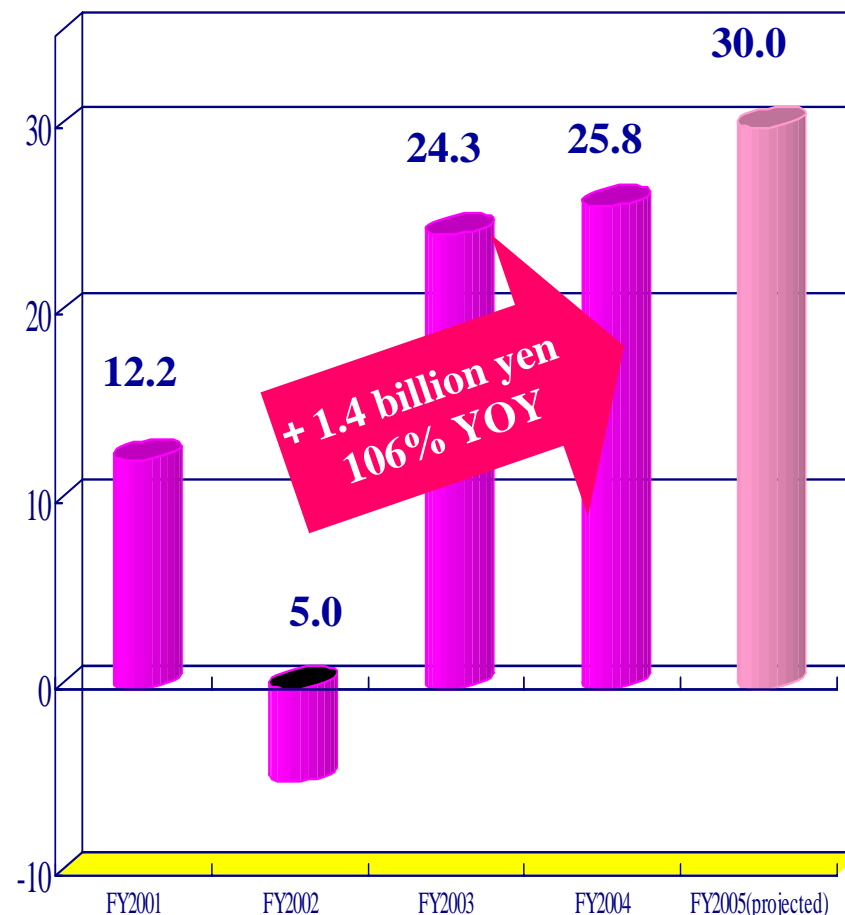
【 Consolidated 】

Unit: Billion yen



【Non-Consolidated】

Unit: Billion yen

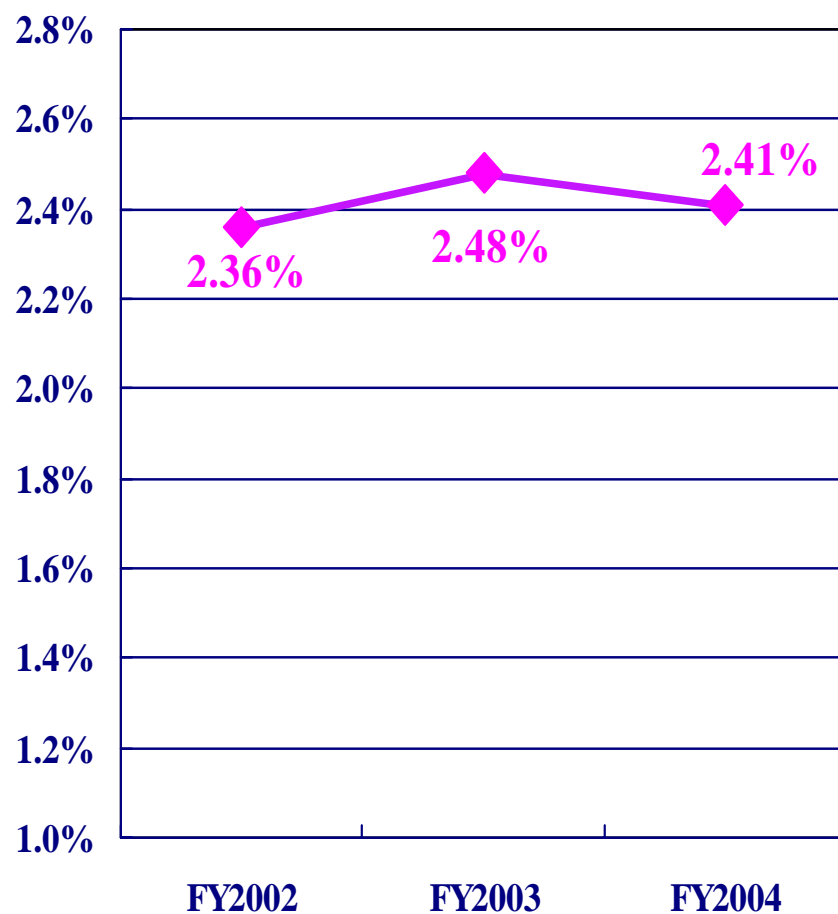


Credit Risk Trends

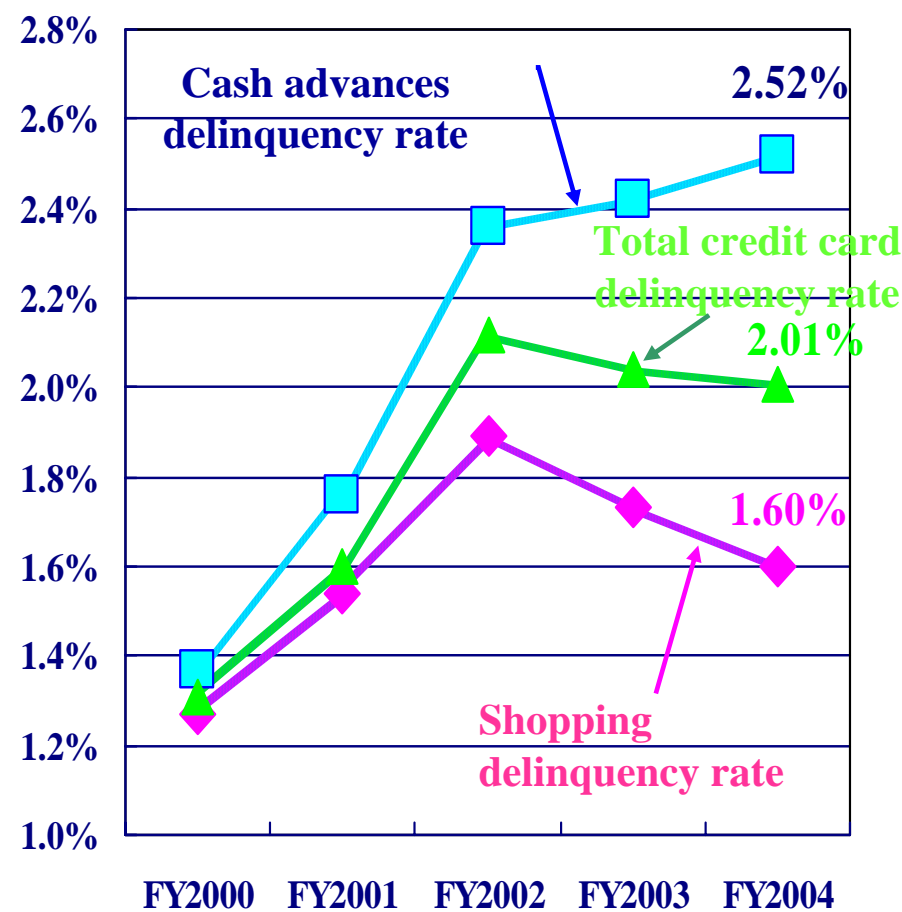
The trend has cooled down in delinquent receivables of over 90 days.

*Delinquency rate: Percentage of total receivables past due 90 days or more.

【 Consolidated 】



【 Non-Consolidated 】

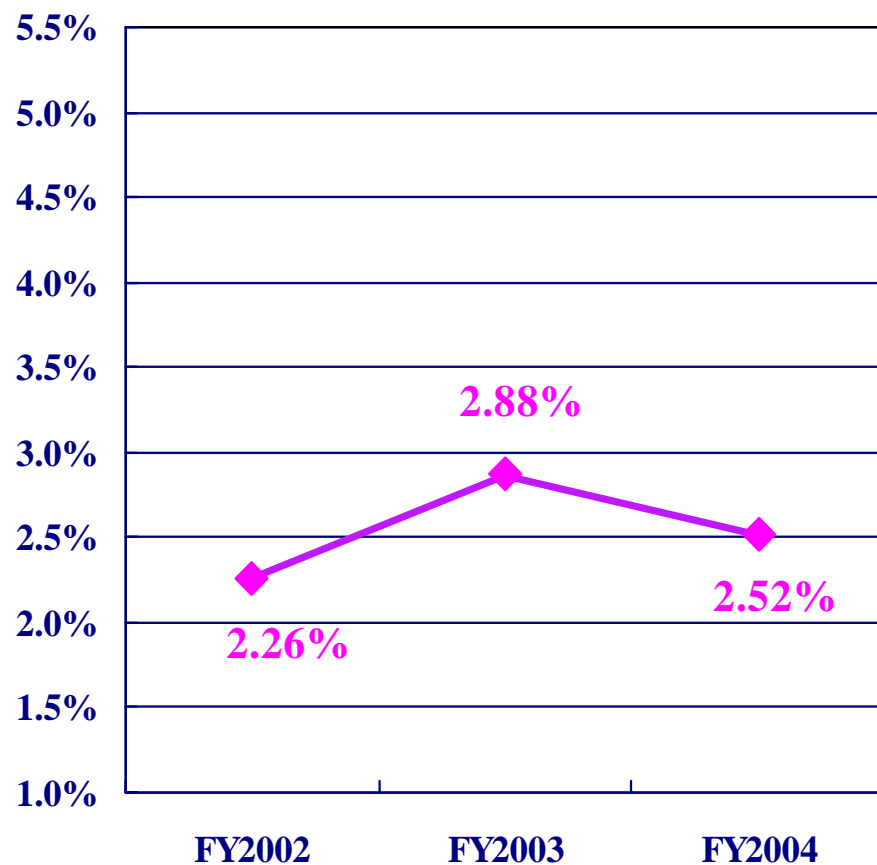


Credit Risk Trends

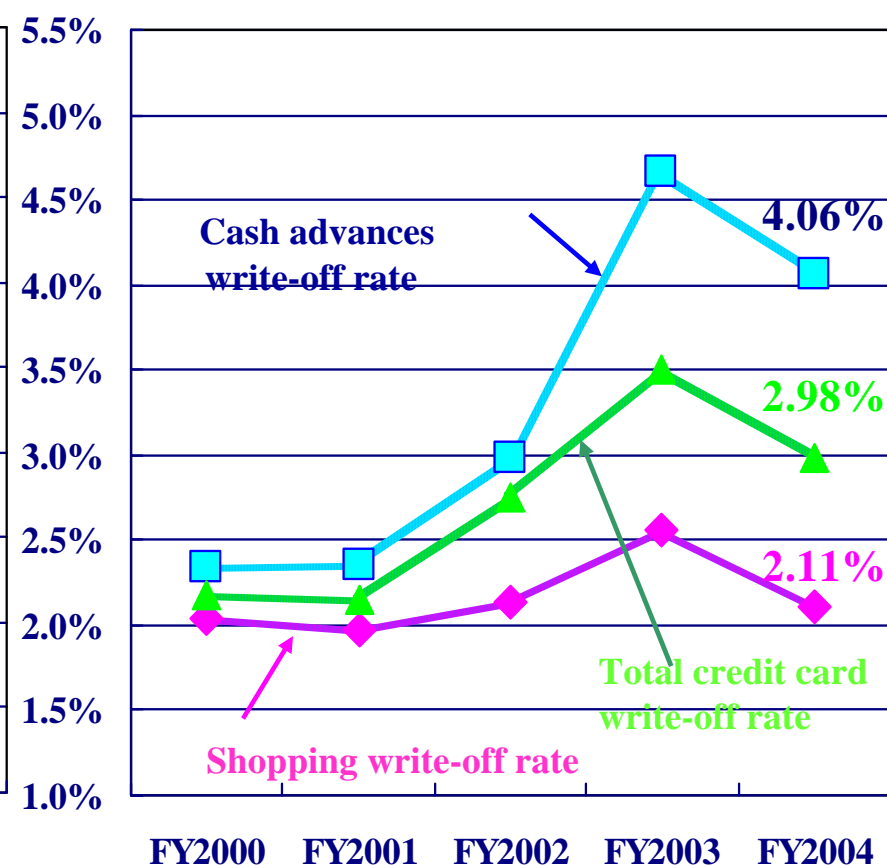
Trend of Write-offs

*Write-off rate: Amount of receivables written off during the year as a percentage of total receivables at the end of the period.

【 Consolidated 】



【 Non-Consolidated 】





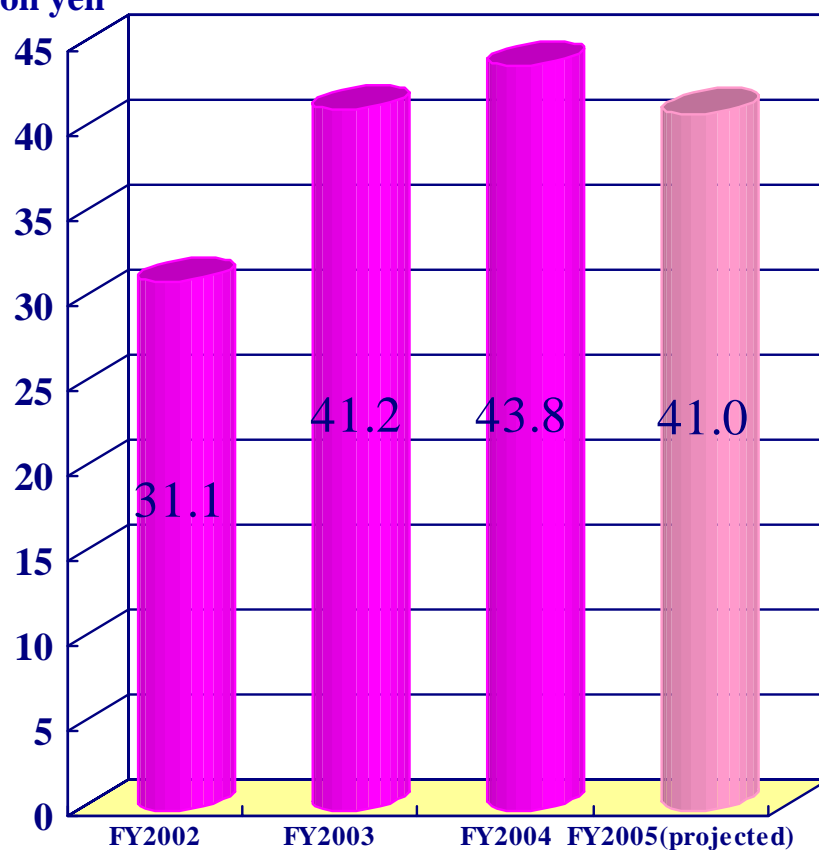
Credit Risk Trends

Credit Costs

【 Consolidated 】

Consolidated figures are aggregate delinquency costs.

Billion yen



【 Non-Consolidated 】

Billion yen

Write-off Net increase in allowance for bad debt

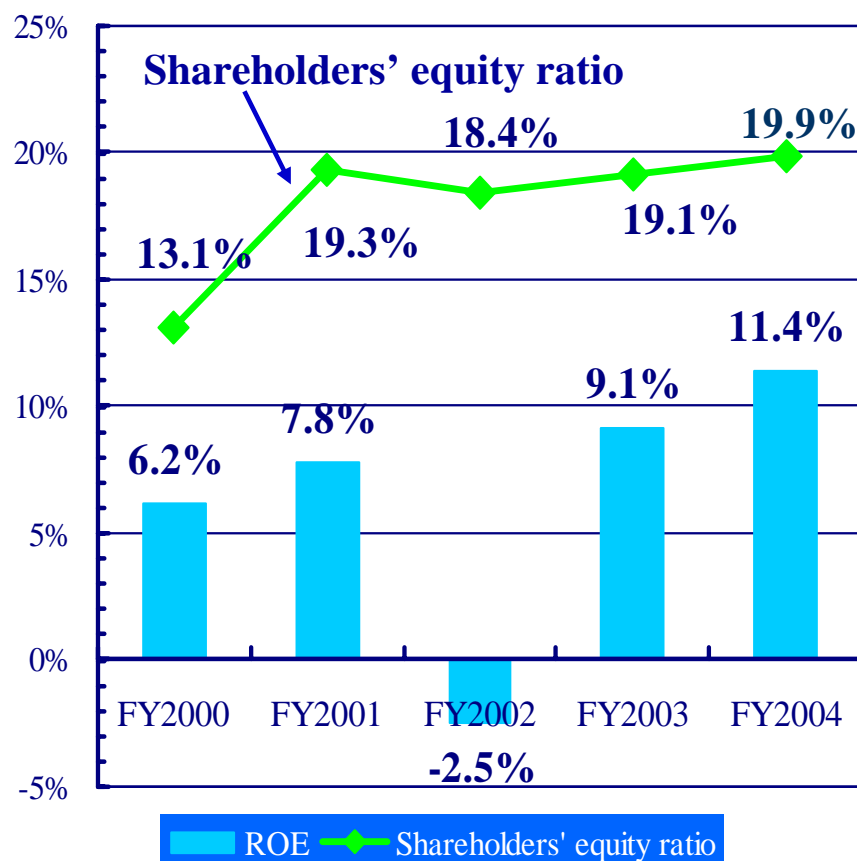


Financial Indices

- ◆ **Stability** Shareholders' equity ratio steady
- ◆ **Profitability** Reached medium-term target of 10% consolidated ROE

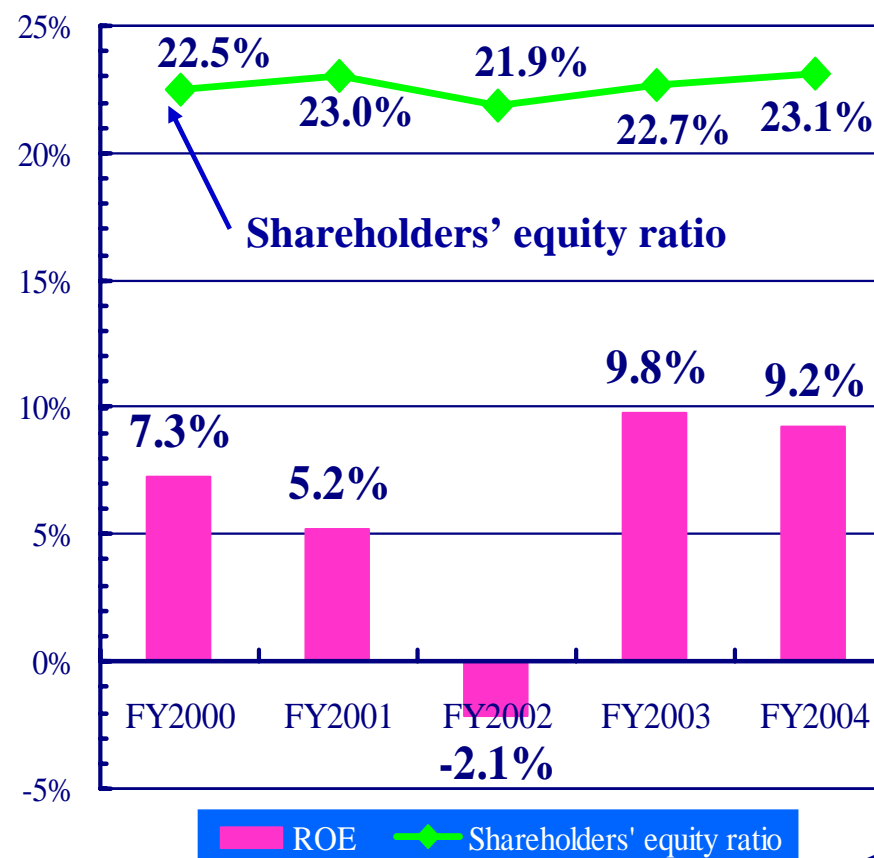
Ratings
R&I A⁺
S&P BBB⁺

【 Consolidated 】



CORPORATE STRATEGY 2005

【 Non-Consolidated 】



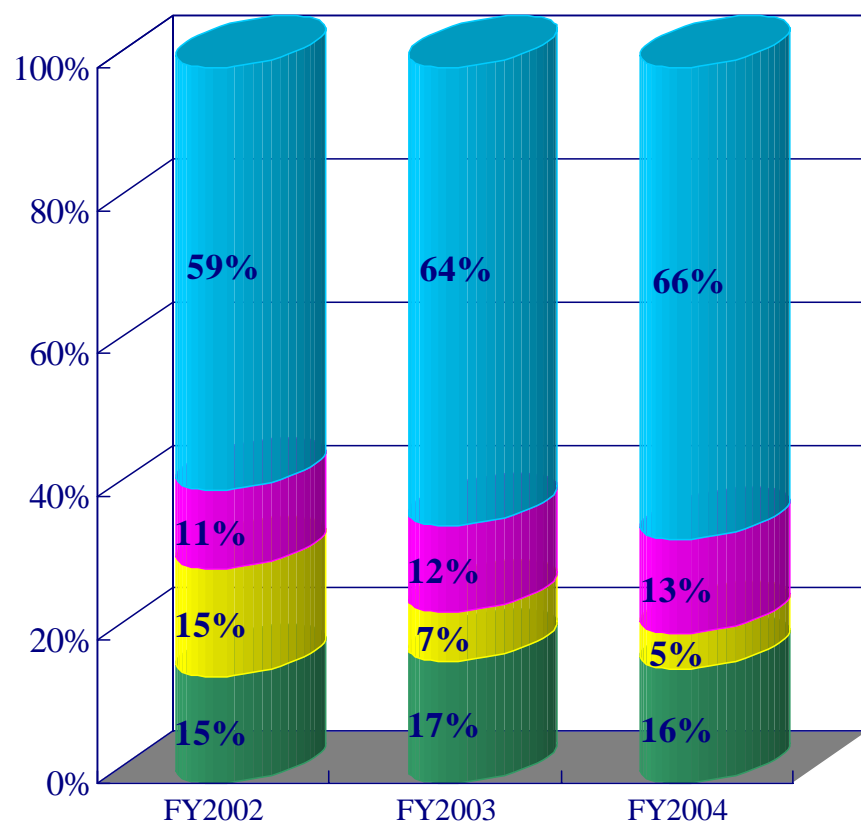
CREDIT SAISON CO., LTD.

Funding Structure

Ratio of Interest-bearing Liabilities

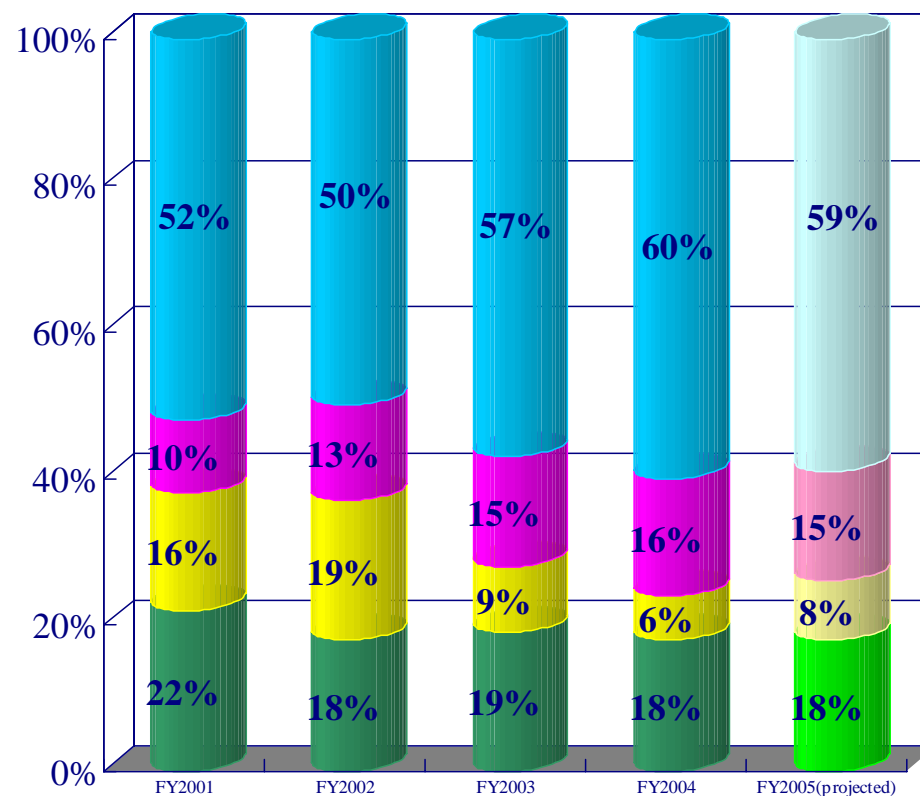
【 Consolidated 】

■ Corporate Bond
 ■ CP
 ■ Securitization
 ■ Debt



【 Non-Consolidated 】

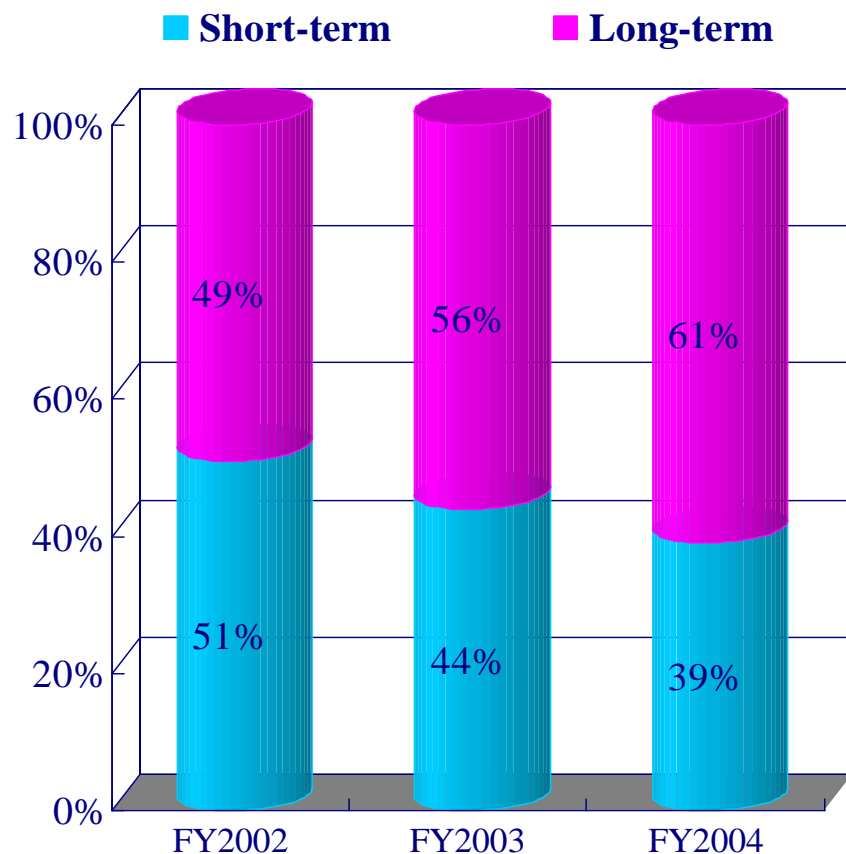
■ Coreporate Bond
 ■ CP
 ■ Securitization
 ■ Debt



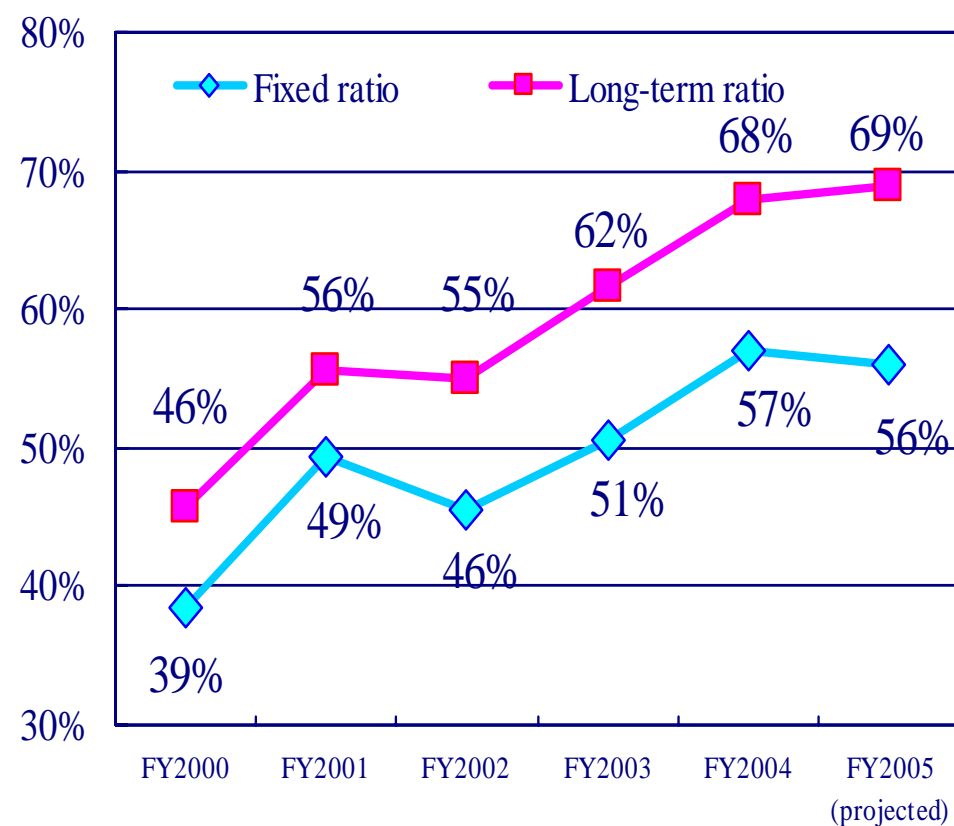
Funding Structure

Long-term/Short-term Debt Ratio and Fixed Ratio

【 Consolidated 】







【 Non-Consolidated 】



Main Indices (Credit Saison Non-Consolidated)

()=YOY

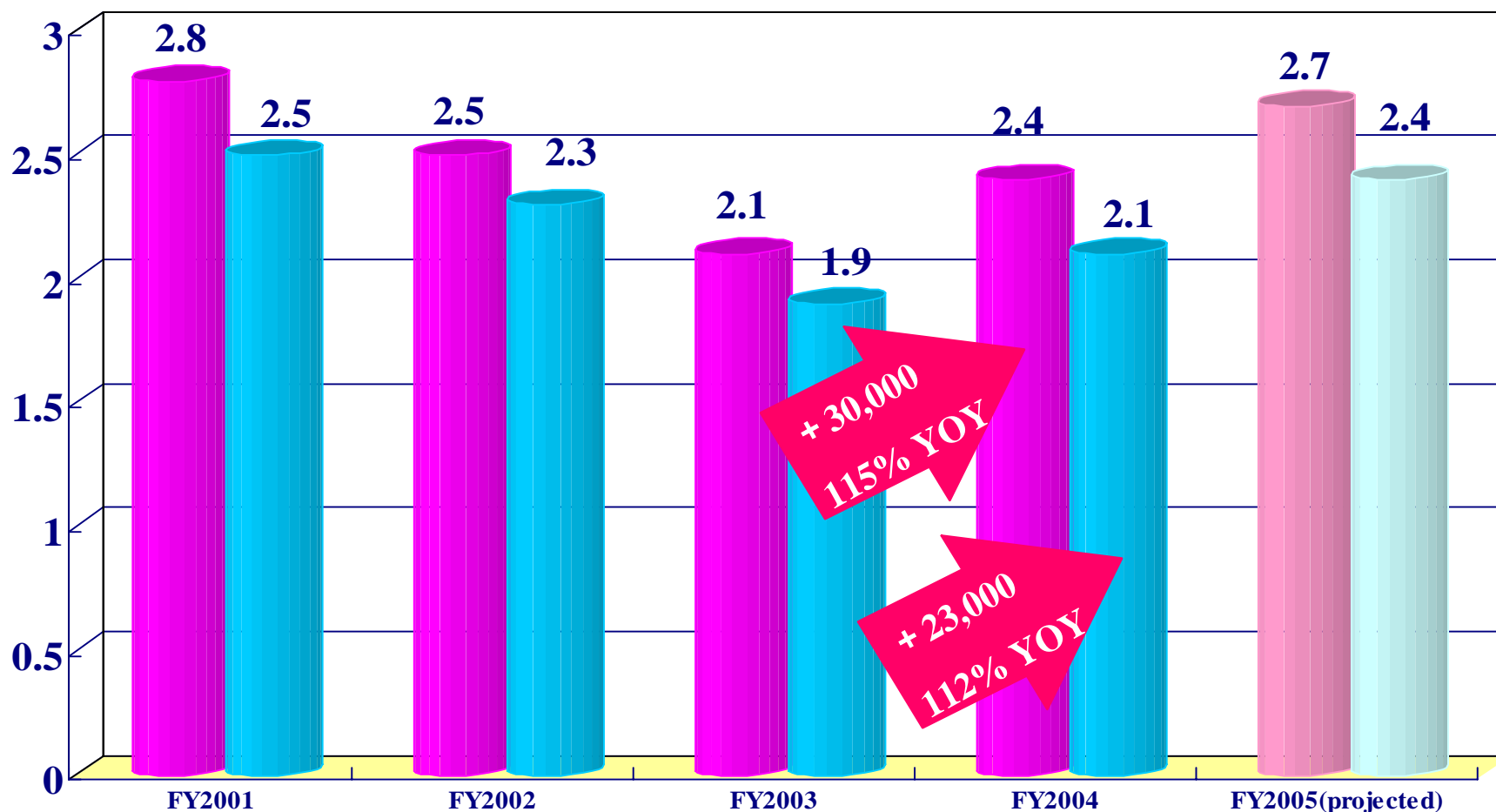
	FY2004 Actual		FY2005 Planned
New applications	2.41 million (115%)		2.70 million
New cards issued	2.09 million (112%)		2.35 million
Total cardmembers	16.9 million(+ 1,030,000)		18.2 million
Active cardmembers	8.8 million (+ 420,000)		9.2 million
Transaction volume	2,596 billion (108%)		2,850 billion
Card shopping	2,078 billion (109%)		2,300 billion
Cash advances	518 million (104%)		550 billion

New applications & New cards issued

Aiming for 2.7 million new applications through the start of new alliance cards

Units: Million

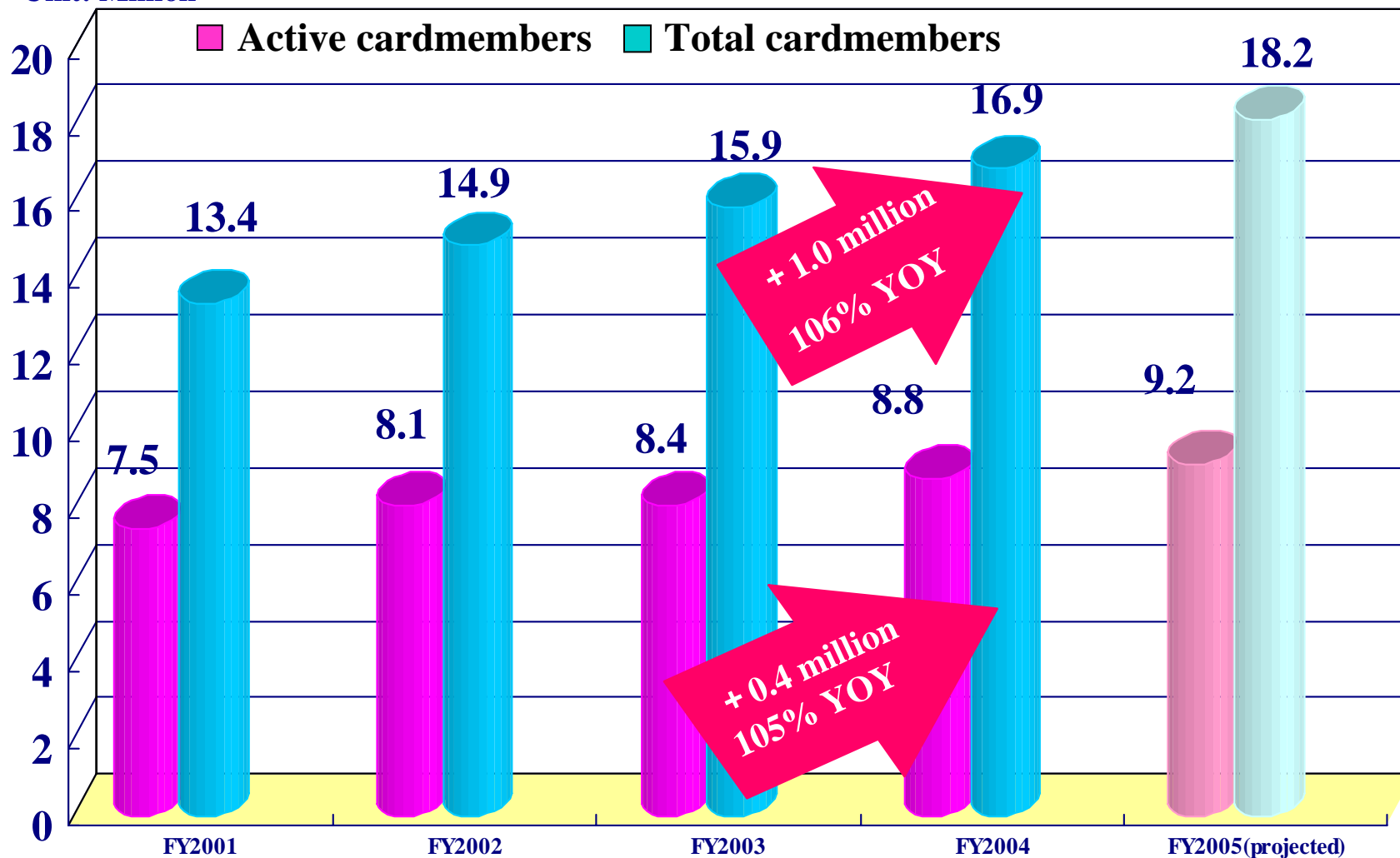
■ Applications ■ Cards issued



Total cardmembers & Active cardmembers

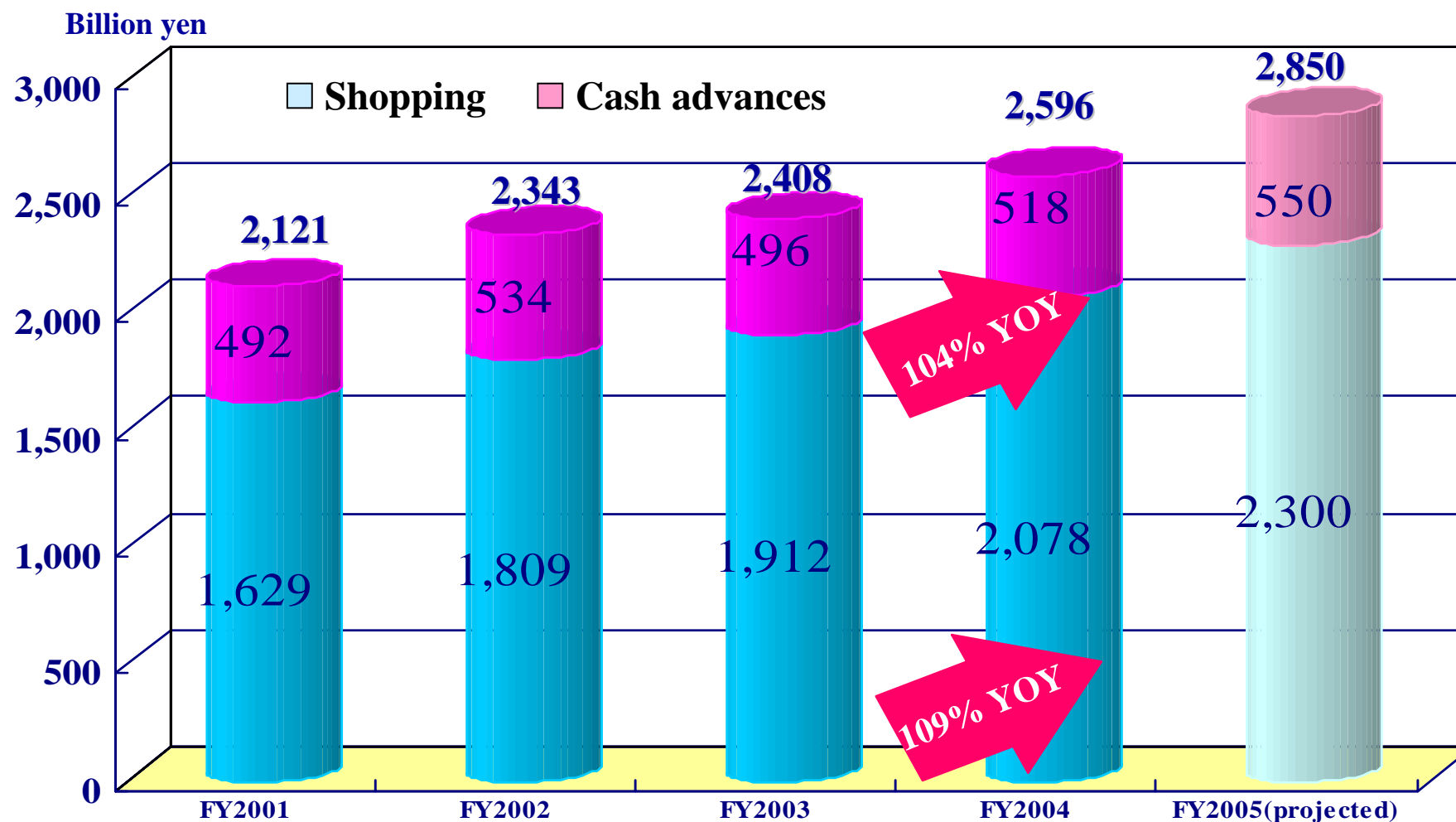
Aiming for 18.2 million total cardmembers and 9.2 million active cardmembers

Unit: Million



Transaction volume

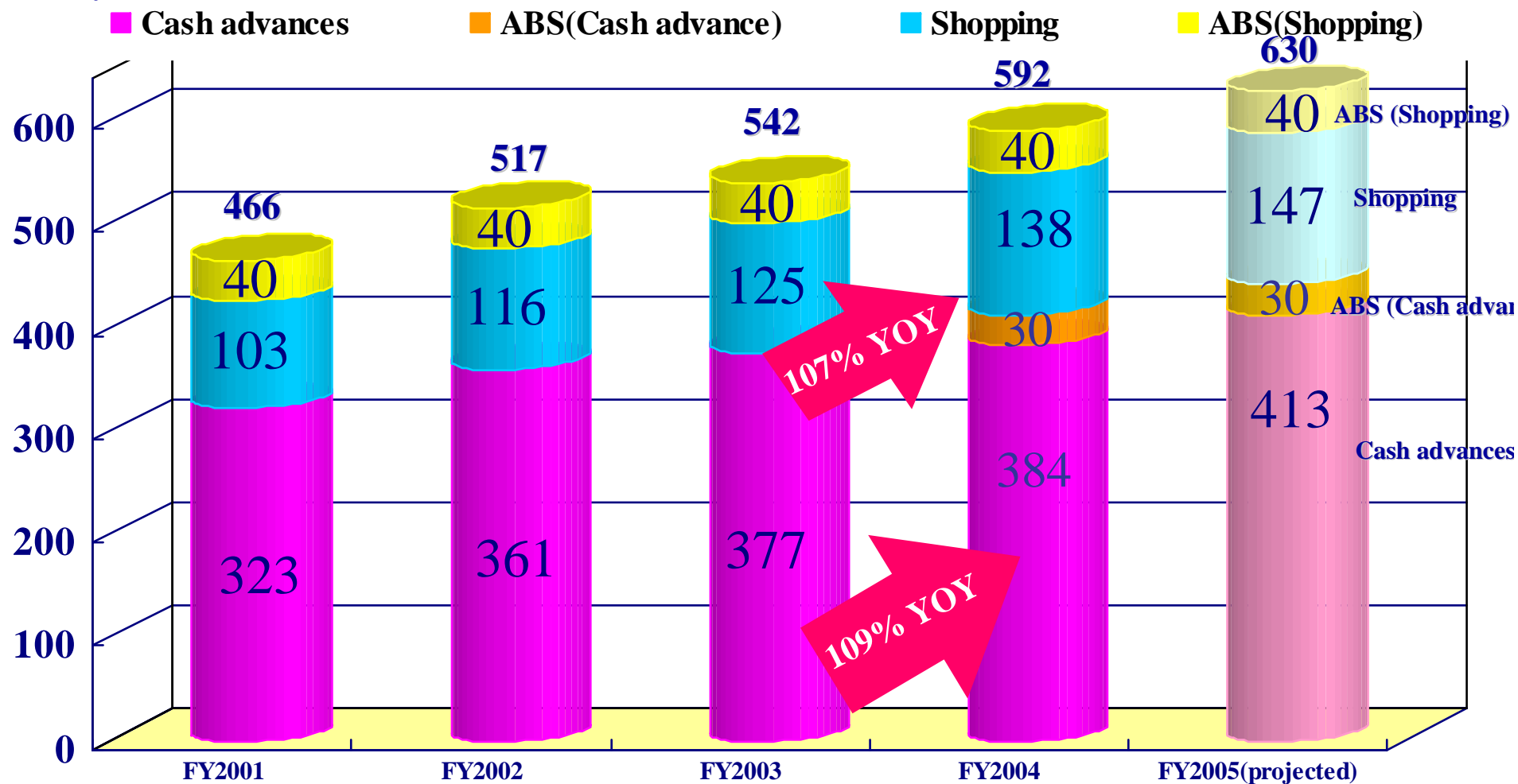
Shopping transactions approaching double-digit growth



Credit loans outstanding

Aiming for 6% growth by building up quality receivables

Billion yen



II. Progress of Medium-Term Management Plan

(Million people, Billion yen)

		FY2000 Actual	Target Growth Rate	FY2005 Medium- term plan target	FY2005 Projected	Achievement rate (Based on projection)
Total cardmembers		11.4	49%	17.0	18.2	107%
Active cardmembers		6.5	54%	10.0	9.2	92%
Consolidated	Ordinary income	37.0	35%	50.0	50.0	100%
	ROE	7.3%	→	10%	10%	100%
Non- Consolidated	Ordinary income	42.9	40%	60.0	60.0	100%
	ROE	6.2%	→	10%	10%	100%

Management Strategies FY 2005

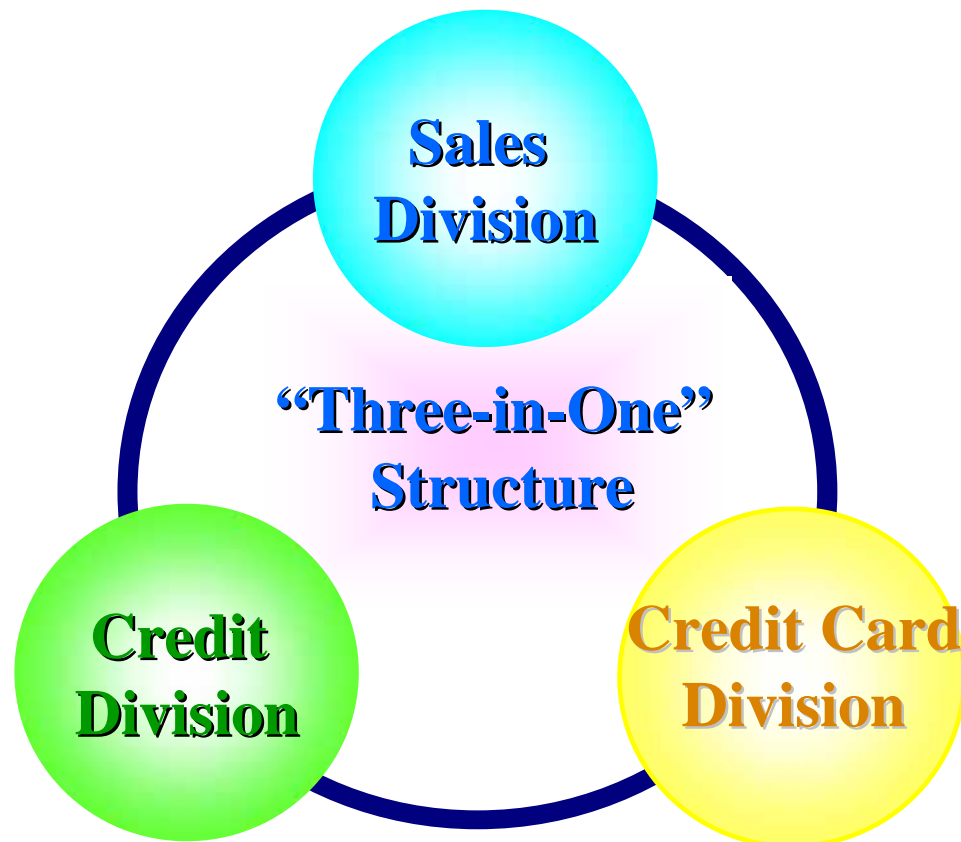
- Shifting to 21st Century Management -

III Management Strategies for FY2005

1. Restructuring of the Sales Organization
2. Strengthening Alliance Partner Card Business
3. Mobilizing the Group's Full Power
4. Innovation of the Personnel System

1. Restructuring of the Sales Organization

Maximizing our retail strengths with a boundaryless organization



Sales Division

Strengthen area marketing functions

We will reorganize the Eastern & Western Japan business divisions and 12 branch offices and the Sales Planning Department that manages them

Credit Card Division

Reorganize to promote client integration

Separate into 6 depts. by alliance partner:
Saison Card Dept., Millennium Card Dept., Takashimaya Card Dept., Yucho Card Dept., AMEX Card Dept., Affinity Card Dept.

Credit Division

Provide best customer service in Japan

Reorganize 4 departments and 9 centers into 1 department and 5 centers:
Credit Planning Dept., Examination Center, Credit Management Center, Information Center, Promotion Center, Operation Center

1. Restructuring of the Sales Organization

“Three-in-One” structure

Stronger organization



Boundaryless Structure



1. Restructuring of the Sales Organization

Two new innovative ideas

Enhanced service



1. Restructuring of the Sales Organization

Start of operations at new Ubiquitous credit center

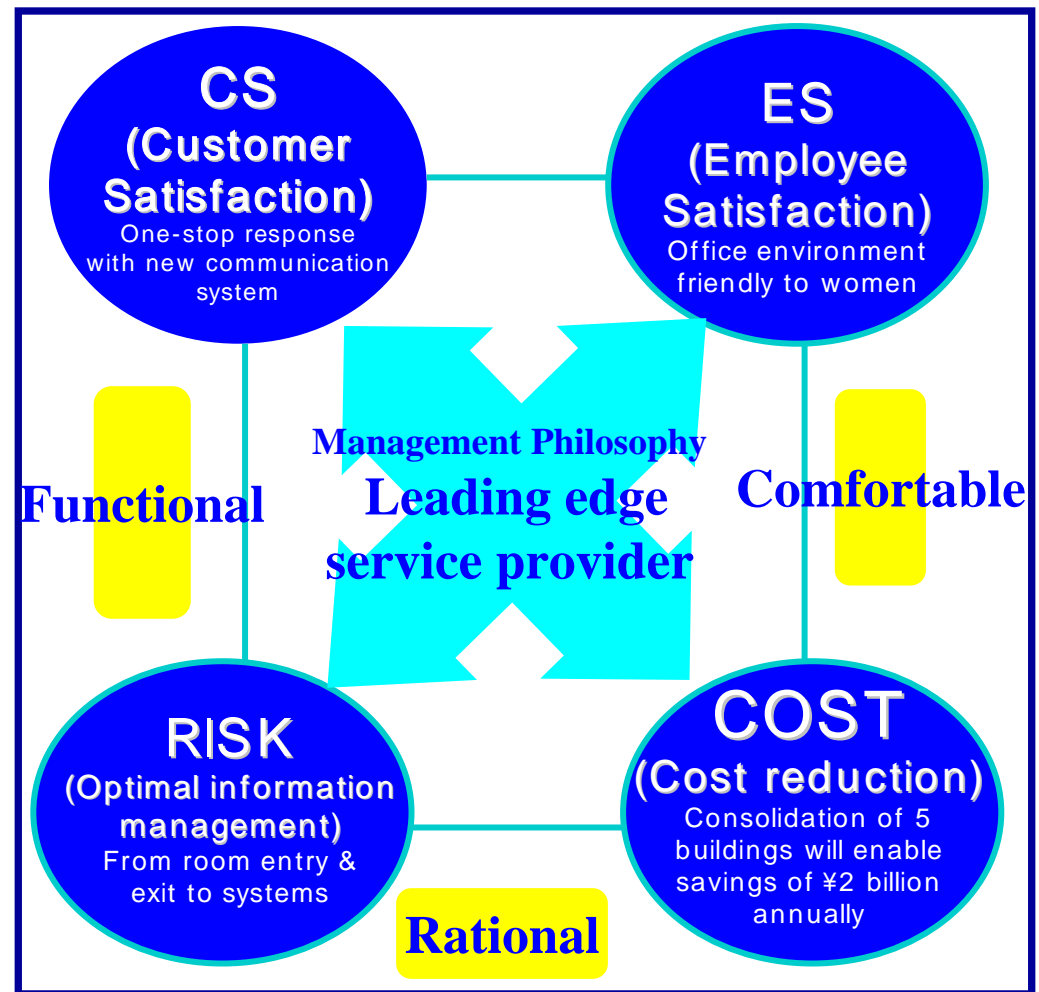
• Protect	Promotion
• Inbound	Outbound
• Control	ES, CS



New credit center in Nakano-ku, Tokyo

ubiquitous

CORPORATE STRATEGY 2005



1. Restructuring of the Sales Organization

Shifting our focus from control to customer needs

When card is issued

Self-setting of shopping credit limit

お支払いコース ショッピング	1.標準（月払い1万円～） 2.長期（月払い3千円～） 3.定期（3万円以上任意） ご希望のコースをご指定下さい。ご指定のない場合は標準コースとさせていただきます。	3.定期コースをご指定の方は月払い額をご指定下さい。（3万円以上1万円単位） □ □ 万円

ご利用希望額 ショッピング	1 150万円 3 50万円	2 100万円 4 ご指定なし
	※未成年・学生の場合は、ご指定なしとさせていただきます。	

Select shopping revolving payment option only → Focus on “what the customer wants” → Set by customer

When card is used

Flexible response tailored to the customer's use



➤ Temporary increase for overseas travel



➤ Temporary increase for wedding

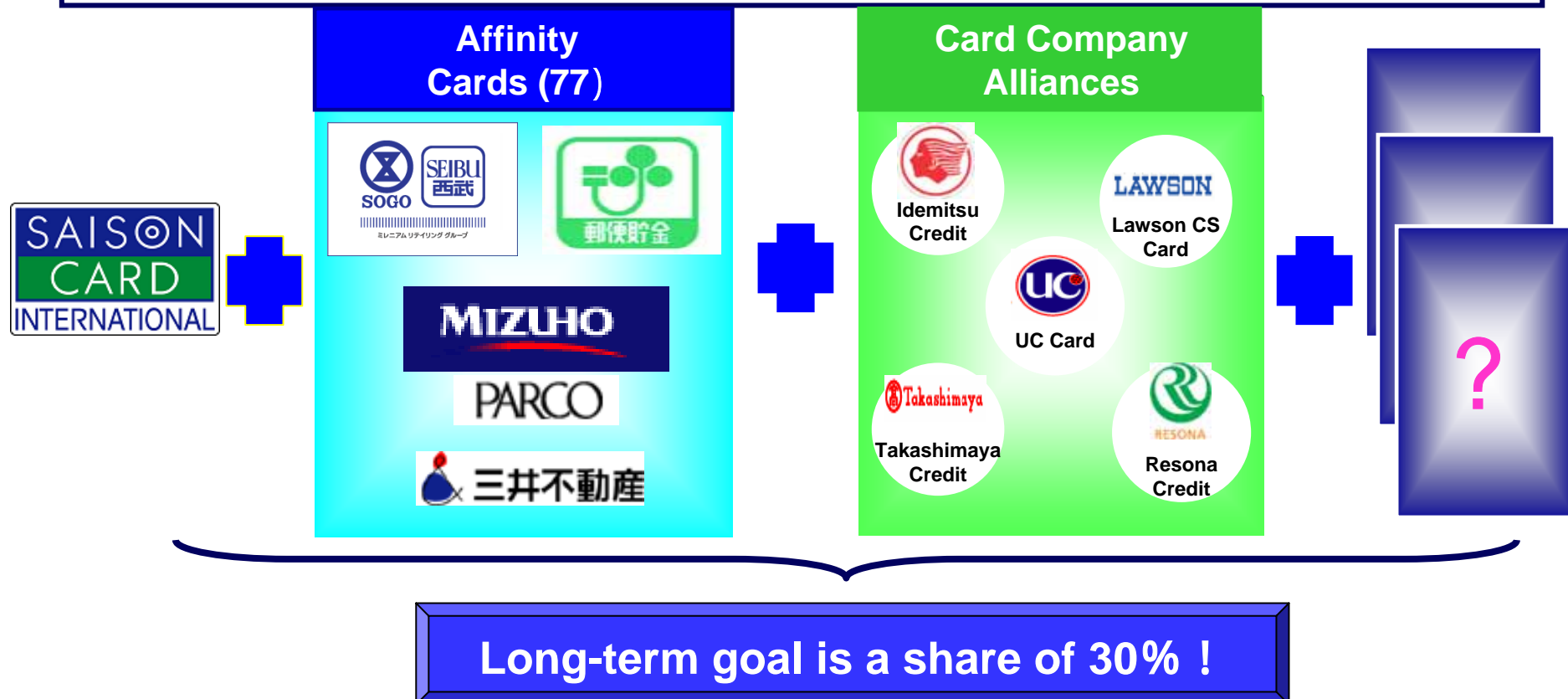
2. Strengthening Alliance Partner Card Business

Aiming for the top share in the industry

- We are strengthening marketing to build the card business and activate card use through collaborative business with clients

Opening of Sogo Shinsaibashi store/ Issue of MMC SAISON Card / Co-marketing with clients

- We aim to expand our credit business by building strong partnerships through provision of capital, people and know-how



2. Strengthening Alliance Partner Card Business

Start of card business in the banking channel



【MMC Plan】

MMC (UC)

MMC (Saison)

Targets

Cumulative new applications over next 3 years

3 million

FY 2007 transactions

Over 15 million

2. Strengthening Alliance Partner Card Business

Business Alliance with UC Card

Integration
benefits



Stronger Competitiveness

- Expand cardmembers by combining SAISON Card & UC Card
- Integrate service and capitalize on retail and banking brand value

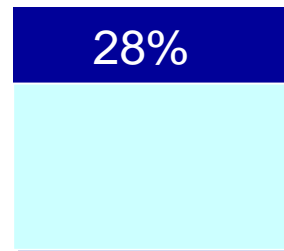
Greater Business Efficiency

- Concentrate member store operations at new UC Card Co.
- Concentrate processing operations, taking economic rationality into account
- Consider building next-generation joint system

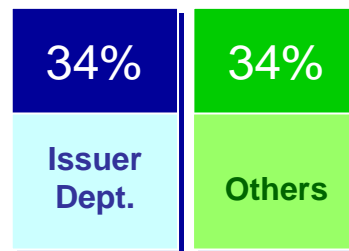
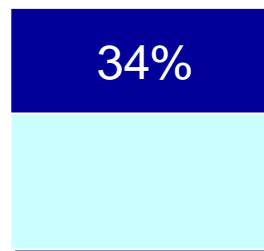
[UC Card Integration Schedule]

March 2005

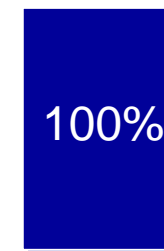
UC Card Co.



Equity-method
affiliate

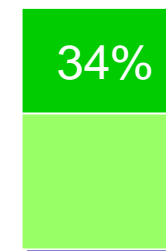


Company
separation



Issuer
business
integration

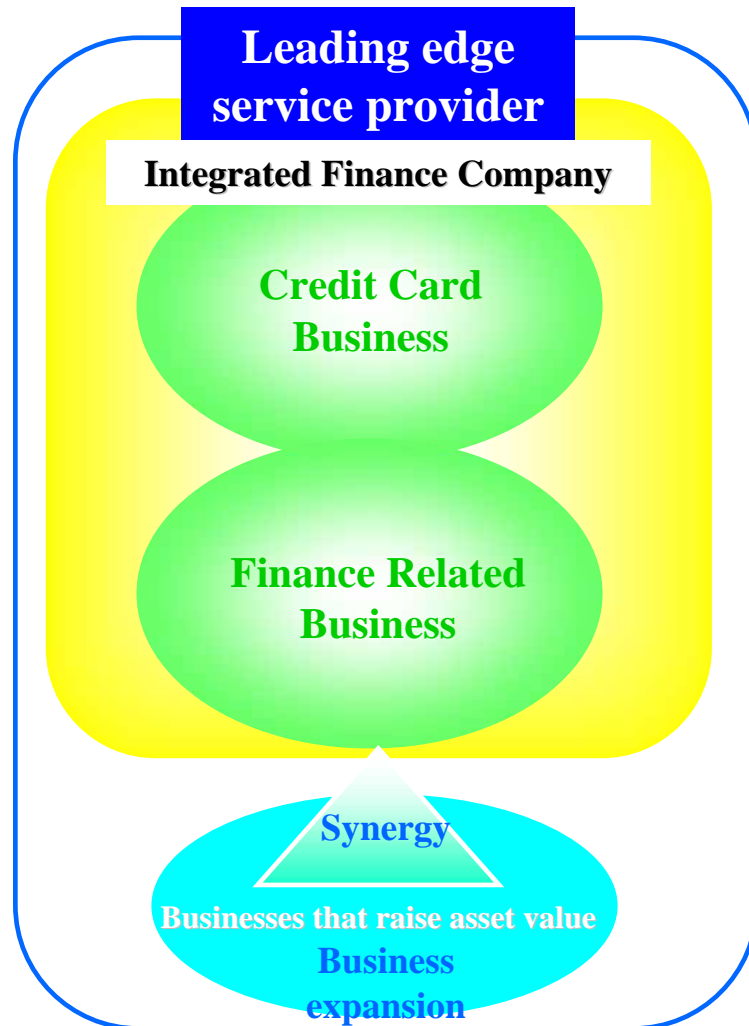
March 2006



New UC Card

3. Mobilizing the Group's Full Power

Amid the changing competitive landscape brought on by realignment of the financial industry, we will strengthen our business foundation as an integrated finance company and promote business diversification, including the alliance strategy.



Credit Card Business

Reinforce our foundation as the No. 1 issuer company

Credit Saison Card business Lawson CS Card Idemitsu Credit UC Card

Finance Related Business

Utilize know-how to diversify our profit base

Credit Saison Business Div. (Leasing, credit guarantee, lending)
Saison Fundex Group

Businesses that Raise Asset Value (People, goods, knowledge)

Boost competitiveness in each business area

Atrium Group Vivre Group JPN Servicer Co. Saison Information Systems Saison Automobile & Fire Insurance Co. Uraku Aoyama

3. Mobilizing the Group's Full Power

3 - Credit Card Business

While implementing the alliance strategy, we will enhance measures to raise the value of our cards.



Securities intermediary

➤ MONEX securities account opening

Since the start of service in mid-December, about 600 accounts have been opened at the counter of Seibu Department Store in Ikebukuro and through our website.



➤ Sales of Japanese Government Bonds to individuals

During the acceptance period of March 10 – 29, we handled 140 sales worth approximately ¥50 million.



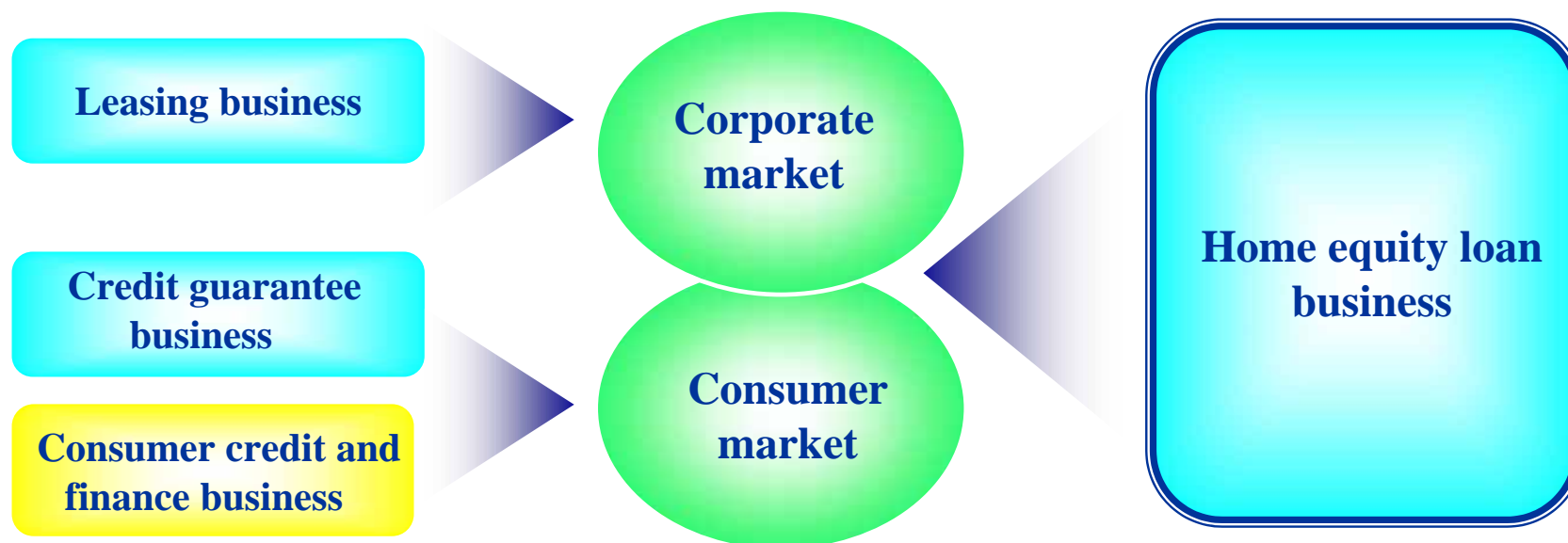
Investment product development

A planning department for investment-related businesses was established in the Strategic Division and has begun studying new businesses that can also enhance service for card customers.

3. Mobilizing the Group's Full Power

3 - Finance Related Business

Strengthening our finance businesses to meet market needs



[Targets of each business]

**SF: Saison Fundex*

Leasing business	Vendor leasing market share target: 10%
Credit guarantee business	Target balance in FY 2007: ¥100 billion
Home equity loan business	Target balance in FY 2009: ¥200 billion
Consumer credit and finance business	Target balance in FY 2007: ¥120 billion (SF*)

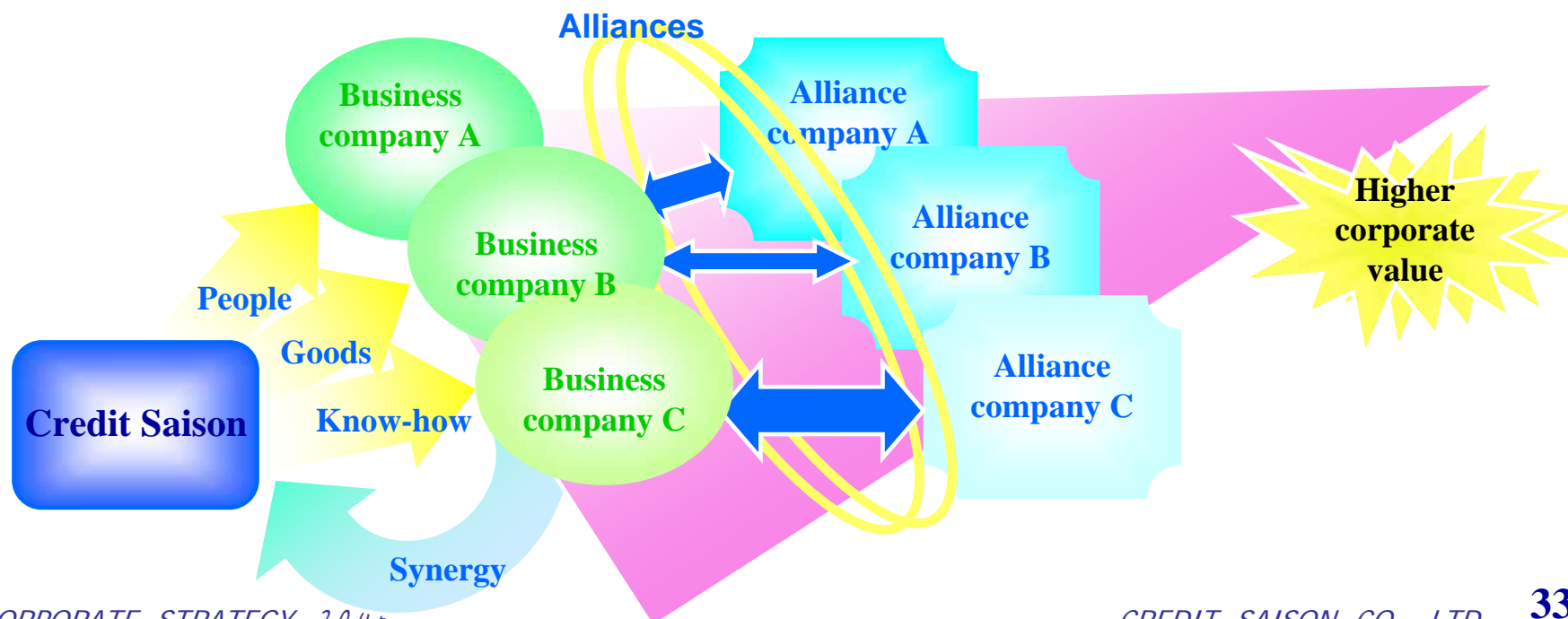
3. Mobilizing the Group's Full Power

3 - Businesses that Raise Asset Value

Expand business opportunities by effectively deploying people, goods, know-how and other assets

The Credit Saison Group will deploy its people, goods, know-how and other assets to create a business portfolio based on affinity with finance businesses, including the credit card business, and growth potential in each business area.

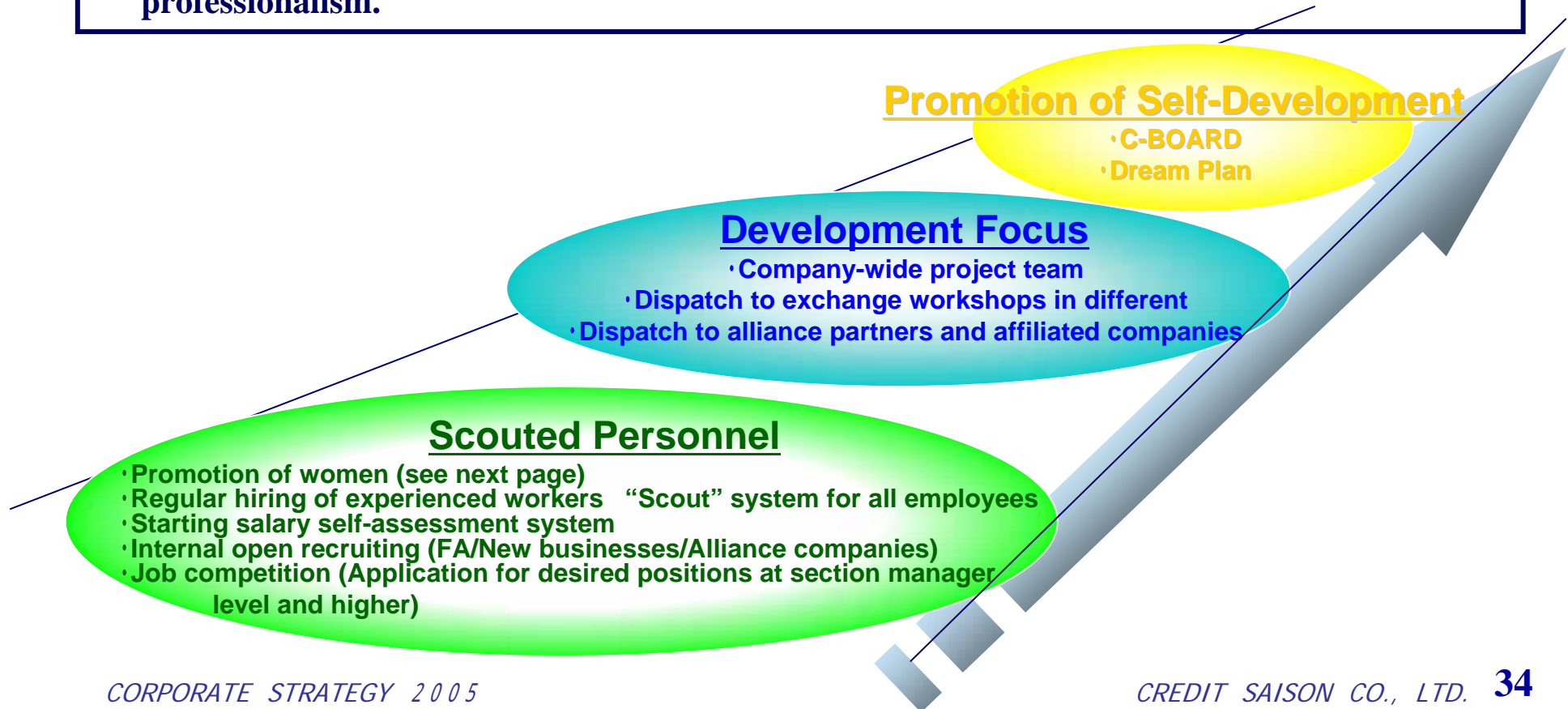
Maintaining our focus on a healthy balance sheet, we will also strengthen business through alliances and M&A, and explore growth strategies in the business areas of affiliated companies, including the use of IPOs.



4. Innovation of the Personnel System

Policies to use employees who generate new ideas

1. Introduce a new personnel system that accommodates all employment patterns.
2. Use a small number of employees targeted for long-term development and employees with specialized skills and the flexibility to respond to changing business conditions.
3. Promote self-development to cultivate strong employees with transferable knowledge and professionalism.



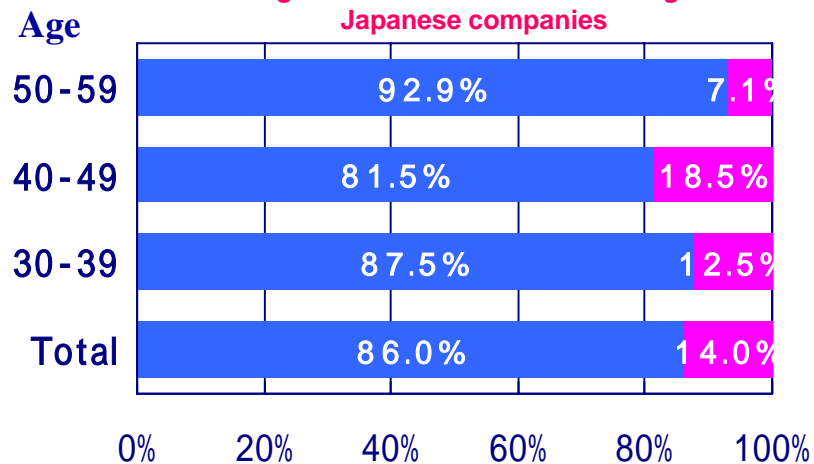
4. Innovation of the Personnel System

Use of Younger Employees and Female Employees

Male/Female Ratio at Division

Manager Level

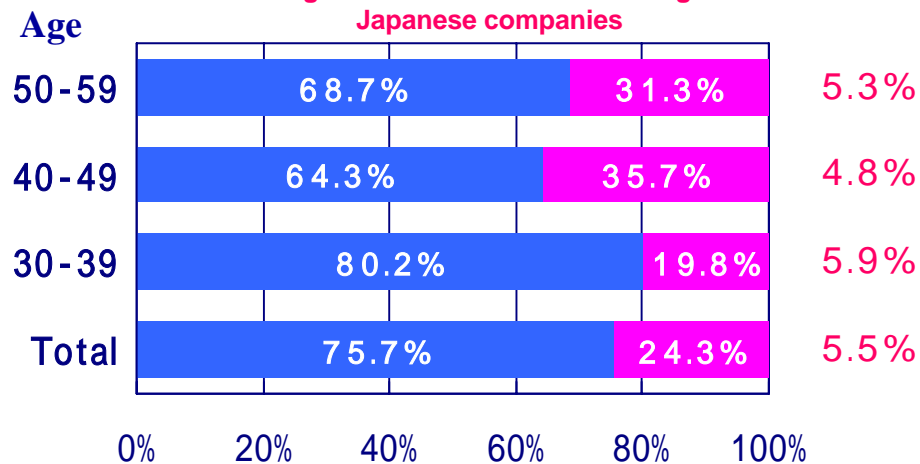
Percentage of women at Division Manager Level in Japanese companies



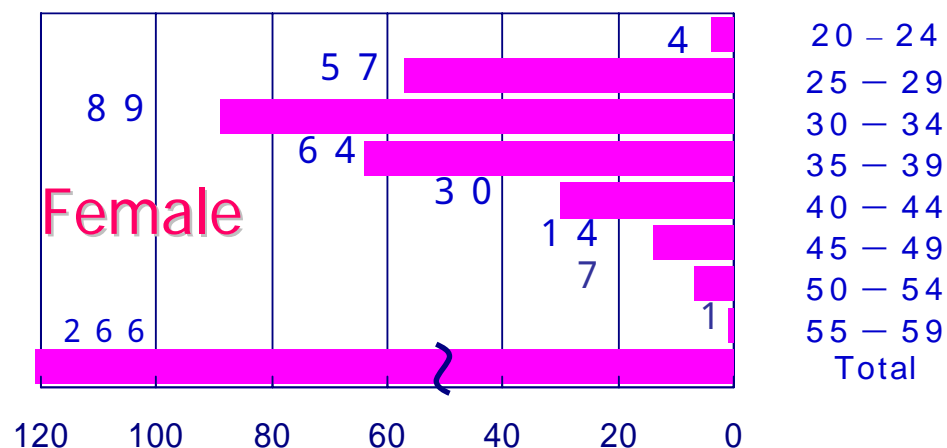
Male/Female Ratio at Section

Manager Level

Percentage of women at Section Manager Level in Japanese companies



Age of Employees at Supervisor Level and Higher



(Number of employees)

