

Management Report FY2006



May 21, 2007
Credit Saison Co., Ltd.



AGENDA

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The figures contained in this document, which describes the Company's business outlook and other information, is based forecasts made in accordance with the information currently available to us. Future business results may differ substantially from the forecasts described here due to the inherent uncertainty of such forecasts, as well as variable factors such as future business operations and/or economic conditions.

First half

- ◇ Aired new TV commercials featuring Brazilian soccer player Ronaldinho (April)
- ◇ Started issuing the "Kawatoku Card" under alliance with Kawatoku Co., Ltd, a department store operator (April)
- ◆ Started issuing the "Prince Card", the "KDDI THE CARD SAISON", and the "VIORO CARD SAISON" (April–September)
- ◇ Appointed first female director and first director in his thirties (June)
- ◆ Agreed on a comprehensive credit card alliance with Yamada Denki Co., Ltd. (June)
Established joint venture, Yamada Financial Co., Ltd., and started issuing the "Yamada LABI Card"
- ◇ Acquired JOY Thoroughbred Club from JCB (June)
- ◆ Agreed on a business alliance with Shizuoka Bank, Ltd. in the retail finance business
- ◇ Started issuing guarantees on Resona Bank's "cannael" consumer loans for working women
- ◆ Strengthened the alliance with Takashimaya Group (July)
- ◇ The balance of the credit guarantee business topped ¥100.0 billion (September)
- ☆ Atrium Co., Ltd. made a three-for-one stock split

Second half

- ◆ Established a joint venture and formed shareholder's agreement with Daiwa House Industry Co., Ltd (November)
Established "Daiwa Financial" (November)
- ◇ Established joint venture, Shizugin Saison Co., Ltd., with Shizuoka Bank, Ltd. (October)
- ◆ **Started operation of online shopping mall "Eikyu Fumetsu.com" (October)**
- ◇ Lowered upper interest rate limit on SAISON CARD LOAN to 18% (November)
- ☆ JPN Service Co., Ltd. was listed on the Hercules market of the Osaka Securities at an initial price of ¥431,000 (October)
- ☆ Atrium Co., Ltd. Was listed on First Section of Tokyo Stock Exchange (December)
- ◇ Started Credit Saison home loans
- ★ **Investment trust company SAISON ASSET MANAGEMENT CO., LTD. received approval from the Financial Services Agency (January) and started sales of proprietary investment trusts (March)**
- ◇ Finalized basic agreements with Mizuho Bank and UC CARD to establish a joint processing company (January)
- ◇ Started issuing the "SoftBank Card" and the "Tokyo Metro To Me Card" (February–March)
- ◇ Decision made to lower upper interest rate limit on cash advances to less than 18% in June or July (March)
- ◆ **Agreed to form a comprehensive alliance with Yamaguchi Financial Group, Inc.**

- 1. Progress of Saison-UC CARD Integration**
- 2. Progress of Strategic Capital Alliances**
- 3. New Business Initiatives**

1. Progress of Saison–UC CARD Integration

(1) Organization and personnel integration

① Credit organization integration

- Integrated screening/credit issuance/credit management divisions (September)

② Corporate/operational integration

- Integrated marketing/product development divisions and sales headquarters (February)

③ Personnel integration

- Human resources integration in all divisions without regard for past affiliation

(2) Service/functional integration

① Travel services

- UC Travel merged with CREDIT SAISON and Travel Desk contracted to PTS Corp. (March)

② Ticket services

- Integration into “e+” and improvement of service levels (June 2007)



③ Point program integration

- UC Niko–Niko gift points will function like SAISON Permanent Points (Eikyufumetsu points) (June 2007)

永久不滅ポイント

+ UCはここにプレゼント

1. Progress of SAISON-UC CARD Integration

(3) Performance of major affinity cards

① MMC Card

- ◆ FY2006 results ... No. of cards (cumulative): 1.9 million
Annual transaction volume: ¥150.0 billion
- ◆ FY2007 ... Change to point award rate (April); QUICPay compatibility (July); aiming for annual profitability at an early date



② Yamada LABI Card

- ◆ FY2006 results ... Card applications: 400,000
Shopping transaction volume: ¥8.0 billion
- ◆ Future prospects ... Achieve 1 million card applications at an early date; target for LABI Card transaction volume is a 30% share of Yamada Denki credit card sales



③ Other new affinity cards

- ◆ Affinity cards acquired through merger with UC CARD
 - * Tokyo Metro To Me Card (with PASMO functionality)
 - * SoftBank Card: Potential for major increase in applications



2. Progress of Strategic Capital Alliances–I

Lawson CS Card



Network of 8,600
Convenience Stores

30% share

Resona Card



Network of 620 Bank
Branches

22.4% share

Idemitsu Credit



Network of 6,000
Gas Stations

50% share

Lower row
shows new
alliances for
FY2006

Takashimaya
Credit



Network of 19
Department Stores

33.4% share

Yamada
Financial



Network of
380 Stores

34% share

Shizugin
Saison Card



Network of 180
Bank Branches

50% share

Daiwa House
Financial



Network of 130
Group Offices

40% share

YM Saison
(tentative)



Network of 260
Bank Branches

50% share

Contribution to consolidated ordinary income: ¥1.0 billion in FY2006

2. Progress of Strategic Capital Alliances-II

◆ FY2006 performance of capital alliance partners (10,000 cards; 10,000 people; ¥1bil)

	Applications	Total cardholders	Transaction volume	Operating revenue	Ordinary income
Non-consolidated	428	2,491	4,299.0	270.2	56.6
Lawson CS Card 30.0% (established Feb. 02)	32	163	73.9	8.2	0.2
Idemitsu Credit 50.0% (equity acquired Oct. 03)	36	450	550.7	18.8	2.7
Resona Card 22.4% (equity acquired Aug. 04)	31	245	417.7	27.2	1.9
Takashimaya Credit 33.4% (equity acquired Aug. 04)	12	108	280.8	12.2	2.2
Yamada Financial 34.0% (established Jun. 06)	40	35	7.9	0.5	0.2
Shizugin Saison Card 50.0% (established Oct. 06)	Aiming for profitability in three years (within FY2009–FY2010)				
Daiwa House Financial 40.0% (established Nov. 06)					
YM Saison (tentative) 50.0% (to be established Jul. 07)					
Total					

* The translation volume is the total of purchases and cash advances. **Yamada Financial figures are also included in non-consolidated applications, total cardholders and transaction volume (since Saison Credit is the issuer for the Yamada LABI Card). ***Operating revenues and ordinary income totals are the simple sums of the operating revenue and ordinary income results of capital alliance partners.

3. New Business Initiatives

(1) Online Shopping Mall Eikyu Fumetsu.com

- ◆ Launched in October for Net Answer members

永久不滅ポイント



- ◆ Customers can earn up to 19 times the normal SAISON Permanent Points
- ◆ 200 internet stores from various categories of retailers
- ◆ The daily amount handled averages ¥20.0 million (as of April 30, 2007)
- ◆ Net Answer members (as of March 31, 2007): 1.5 million ⇒ Targeting 2.5 million by end of fiscal 2007

Mall transaction volume target: ¥200.0 billion annually (FY2010)

(2) Establishment of Saison Asset Management Co., Ltd and Commencement of Investment Trust Sales (March)

- ◆ Saison Asset Management Co., Ltd.

さわかみ投信株式会社

• Fully owned subsidiary of Credit Saison • Established: June 2006 • Start of operations: March 2007

- ◆ Product features

• Fund of funds that include Vanguard and Sawakami Asset Management funds
• Provides customers investment products suitable for long-term asset formation with **low fees**



- ◆ Total net asset value (as of May 18)—**Saison Vanguard Global Balance Fund: ¥2,209 million**
Saison Asset Formation Achiever Fund: ¥572 million

Target for total asset value: ¥200.0 billion (five years)

- 1. Operating Results**
- 2. Credit Risk Trends**
- 3. Financial Indices**
- 4. Main Indicators (Non-consolidated)**

Operating Results

Figures in parentheses are year-on-year comparisons

		Consolidated	Non-consolidated
Operating revenues	FY'06 Result	¥333.6 billion (121.5%)	¥270.2 billion (124.9%)
	FY'07 Target	¥340.0 billion (101.9%)	¥273.5 billion (101.2%)
Ordinary income	FY'06 Result	¥80.1 billion (112.7%)	¥55.6 billion (111.6%)
	FY'07 Target	¥56.0 billion (69.9%)	¥37.5 billion (66.2%)
Net income	FY'06 Result	¥14.8 billion (35.1%)	¥10.2 billion (37.7%)
	FY'07 Target	¥26.0 billion (175.4%)	¥21.0 billion (205.4%)

Results by Business Segment

(Unit: ¥1 billion)

	Operating revenues			Operating income		
	FY '05	FY '06	Growth rate	FY '05	FY '06	Growth rate
Credit & Finance	226.5	284.1	25.4%	54.6	61.4	12.4%
Entertainment	17.9	16.9	△5.6%	2.6	2.0	△23.9%
Real Estate	19.2	20.5	6.6%	9.5	9.4	△0.1%
Lease	7.1	6.7	△5.4%	3.3	2.1	△34.9%
Others	5.1	6.5	28.1%	3.8	5.4	40.8%
Total	276.1	335.0	21.3%	74.0	80.6	8.8%
Inter-group company transactions	(1.4)	(1.3)	-	(4.5)	(5.4)	-
Consolidated	274.6	333.6	21.5%	69.5	75.2	8.1%

Contribution to Consolidated Results–I

Group trends

(Unit: ¥1 billion)

	FY'05	FY'06	YoY	FY'07 (projected)	YoY
Operating revenues	274.6	333.6	121.5%	340.0	101.9%
Ordinary income	71.1	80.1	112.7%	56.0	69.9%
Net income	42.2	14.8	35.1%	26.0	175.4%
Per-share income (¥)	237.29	82.79	34.9%	144.76	174.9%
Ratio of consolidated to non-consolidated net income	1.56	1.42	—	1.49	—
Shareholders' equity ratio	17.8%	16.2%	—	—	—

Contribution to Consolidated Results–II

Ordinary income (Consolidated/non-consolidated difference)

Contribution to consolidated results

	Non-consolidated	Consolidated	Difference
Ordinary income	¥56.6 billion	¥80.1 billion	¥23.5 billion

Main consolidated subsidiaries	Contribution to consolidated results
Atrium Group <ul style="list-style-type: none"> ▪ Atrium (real estate) ▪ Atrium Servicing Co., Ltd. (credit collection agency) ▪ AIC Co., Ltd. (liquidation of real estate) 	¥12.4 billion
Saison Fundex Group <ul style="list-style-type: none"> ▪ Saison Fundex Corp. (loans, mortgage securities) ▪ House Planning (real estate) 	¥6.0 billion
Vivre Group <ul style="list-style-type: none"> ▪ Vivre (amusement business) ▪ NOA Planning (consulting) ▪ A&A (amusement business) 	¥1.6 billion
JPN Collection Service (debt collection service)	¥1.0 billion

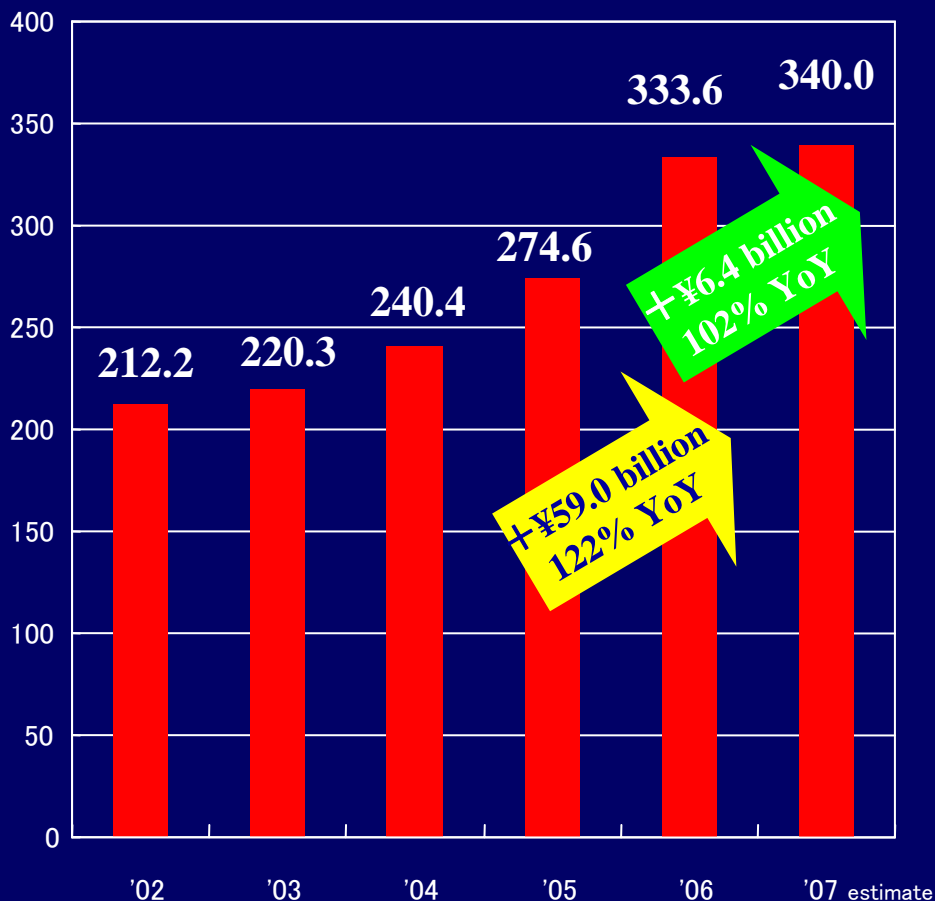
Main equity-method affiliates	Contribution to consolidated results
Idemitsu Credit (credit card business)	¥0.46 billion
Saison Information Systems (information processing)	¥0.38 billion
Resona Card (credit card business)	¥0.43 billion
UC CARD (information processing)	¥0.23 billion

Operating Revenues (Consolidated/Non-consolidated)

Operating revenues were up 20% on both consolidated and non-consolidated basis due an expansion of the credit card business following the integration with UC CARD, and strong performance in the Real Estate business.

Consolidated

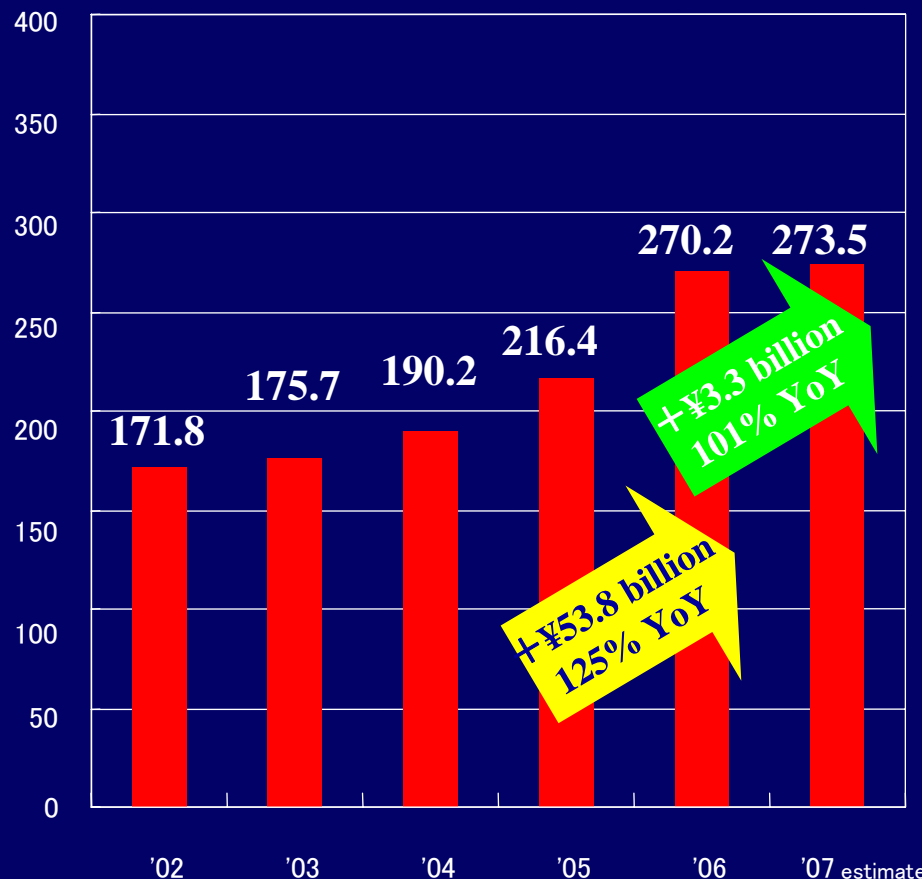
¥1 billion



CORPORATE STRATEGY 2007

Non-consolidated

¥1 billion



CREDIT SAISON CO., LTD.

Ordinary Income & Net Income (Consolidated/Non-consolidated)

Double-digit growth in ordinary income on both consolidated and non-consolidated basis; lower ordinary income forecast for fiscal 2007 due to reduced interest rates, but net income is expected to increase

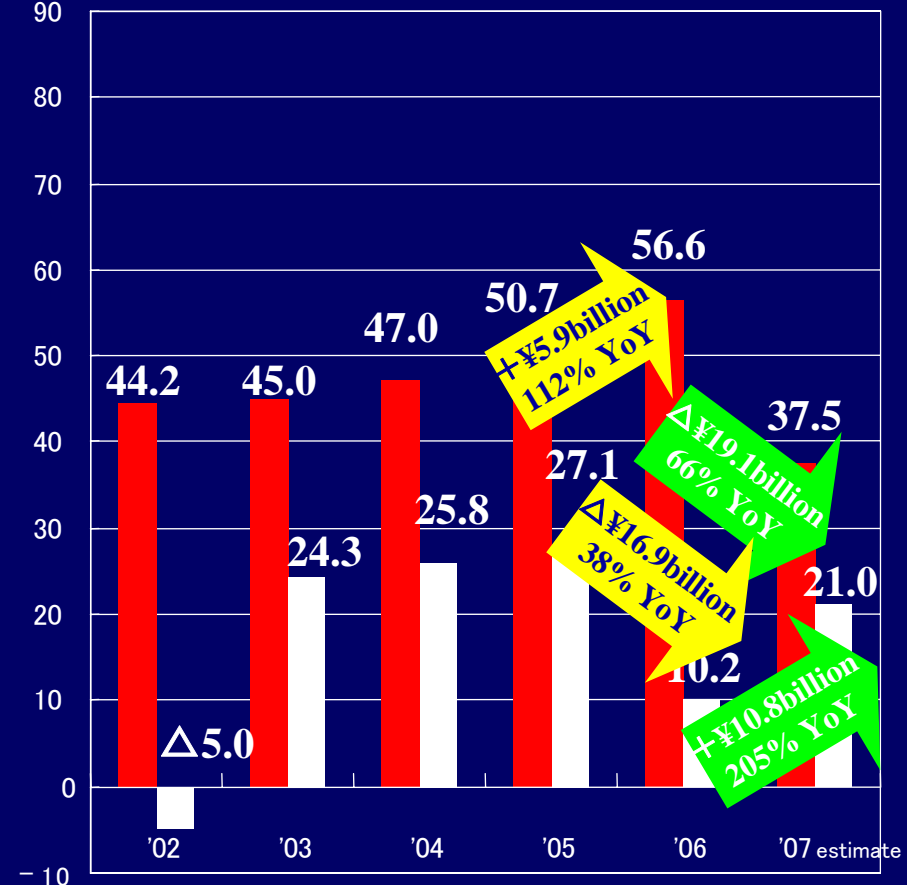
Consolidated

¥1 billion



Non-consolidated

¥1 billion



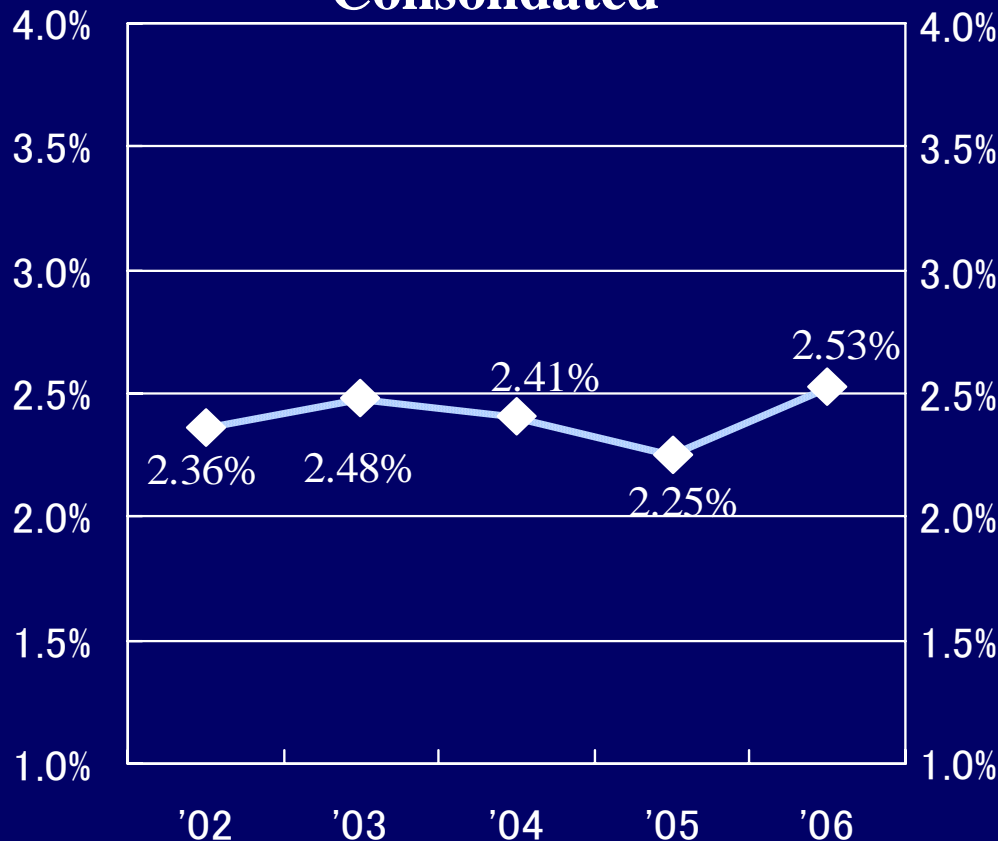
Credit Risk Trends-I

Increase in third party-mediated credit amount associated with interest return request (205% YoY)

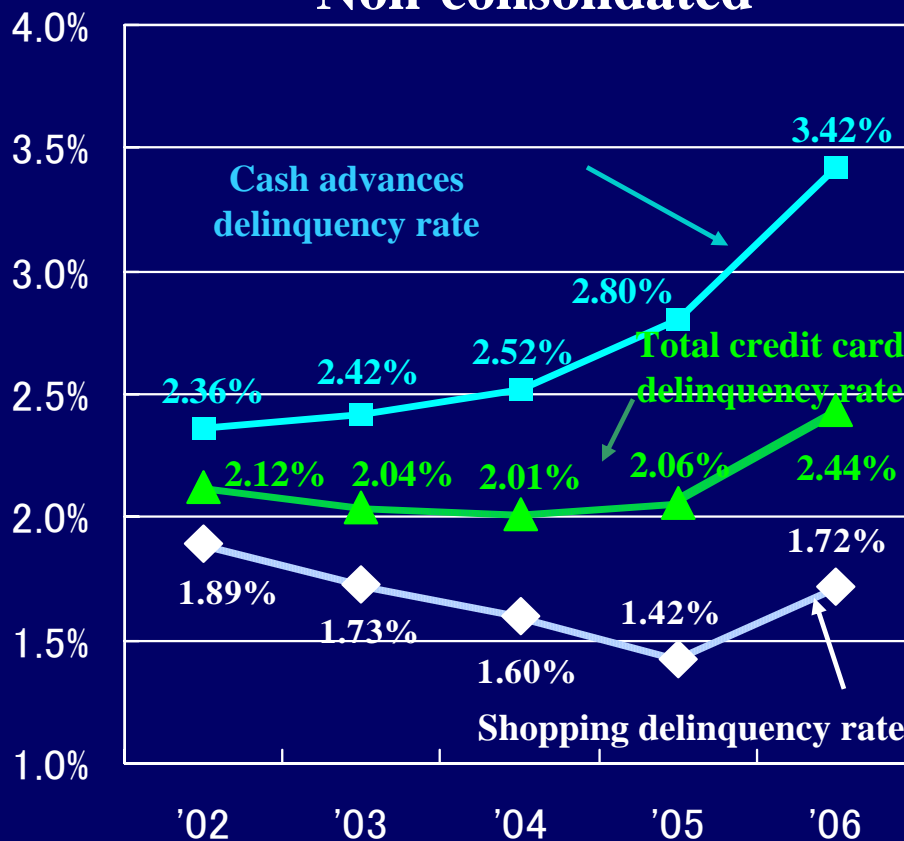
■ Delinquency of 90 days or more

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

Consolidated



Non-consolidated



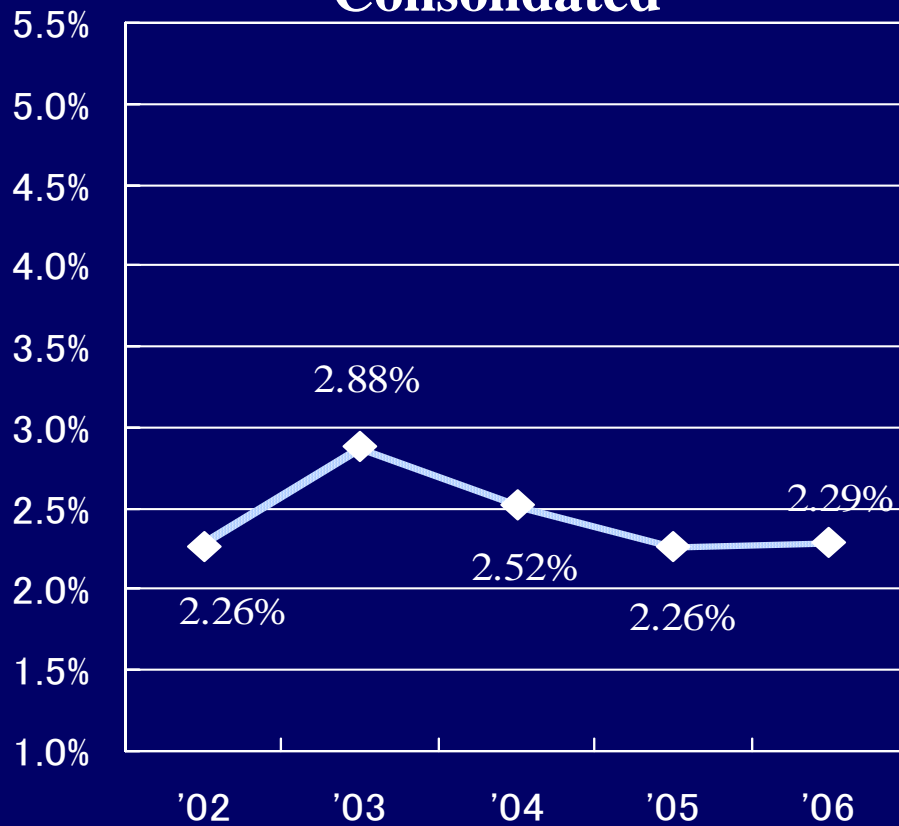
Credit Risk Trends–II

Increase in cash advance write-off rate due to increase in interest return requests

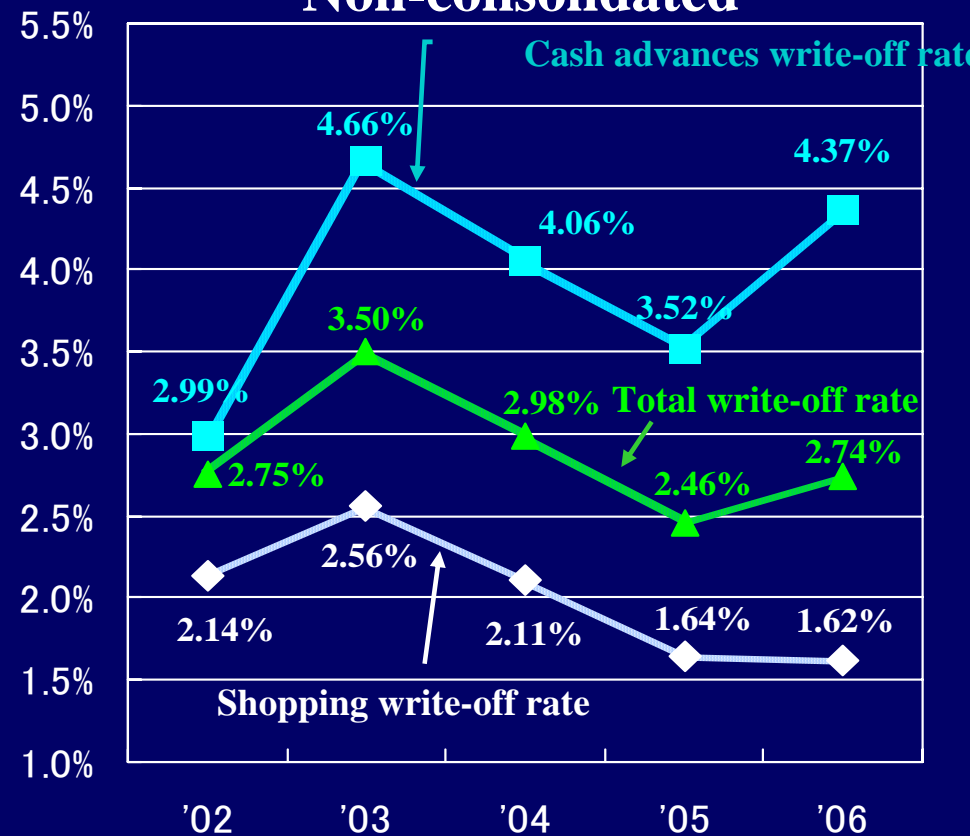
Write-off trends

*Write-off rate: Percentage of total receivables written off during the term

Consolidated



Non-consolidated

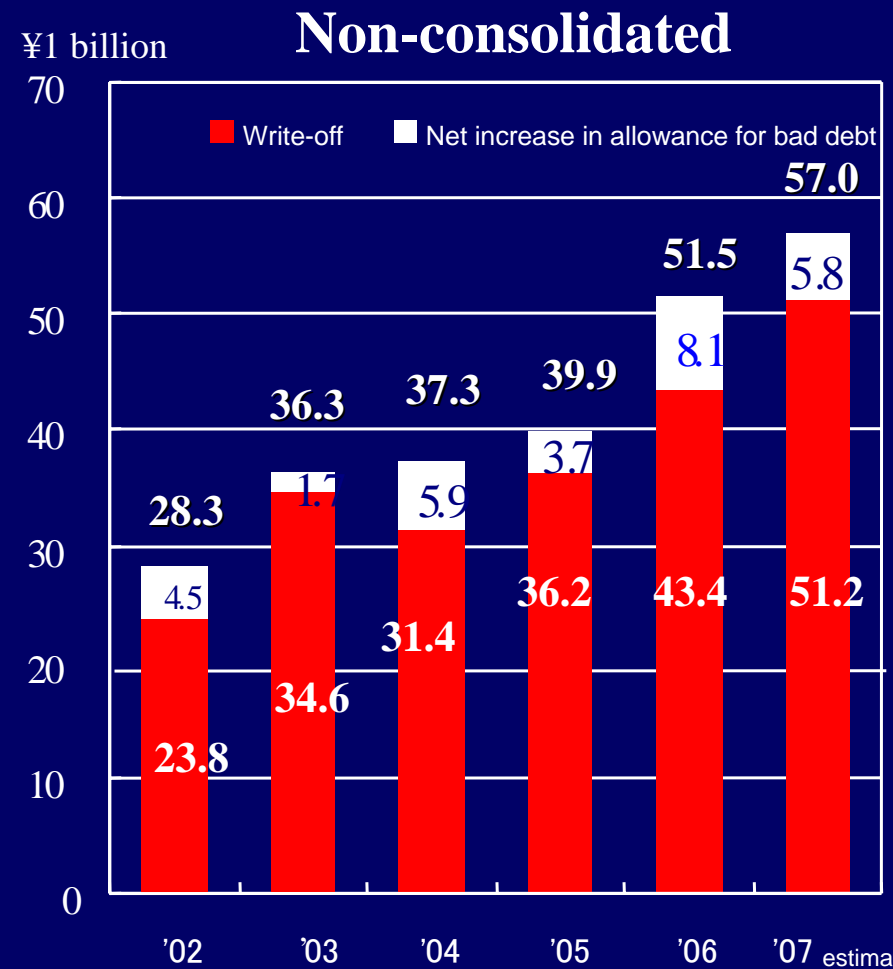
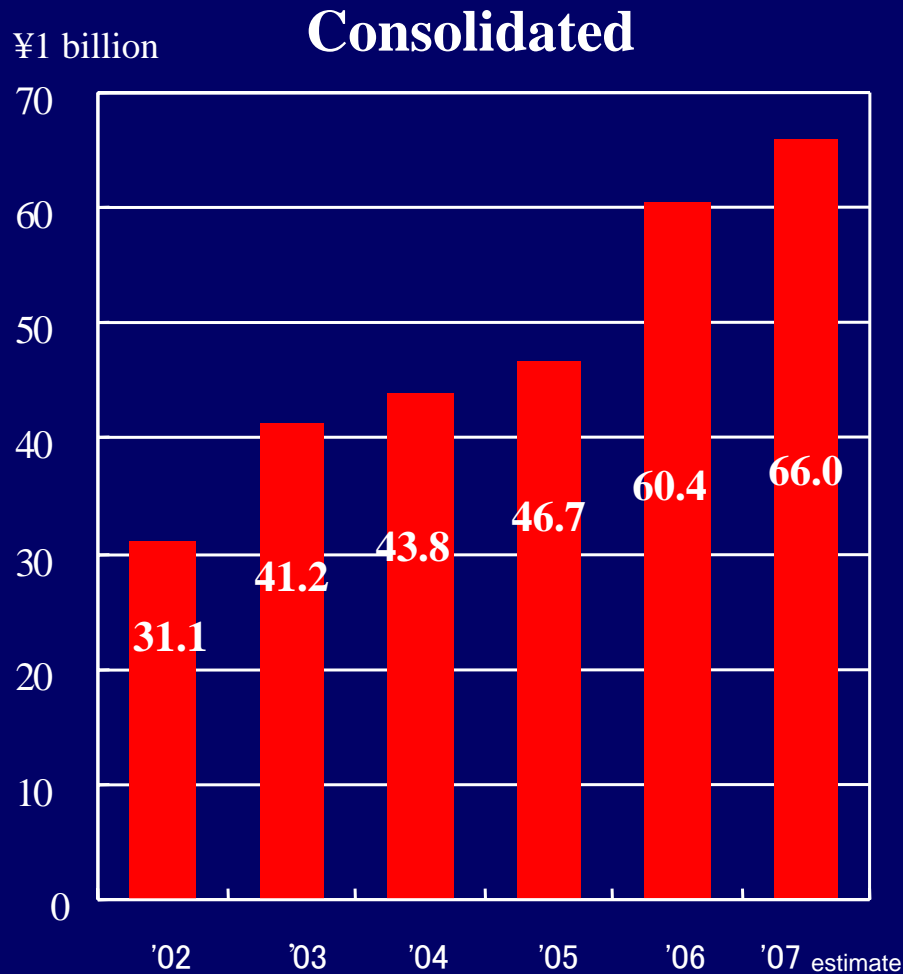


Credit Risk Trends-I

Allowance substantially increased to meet increase in credit loss write-offs

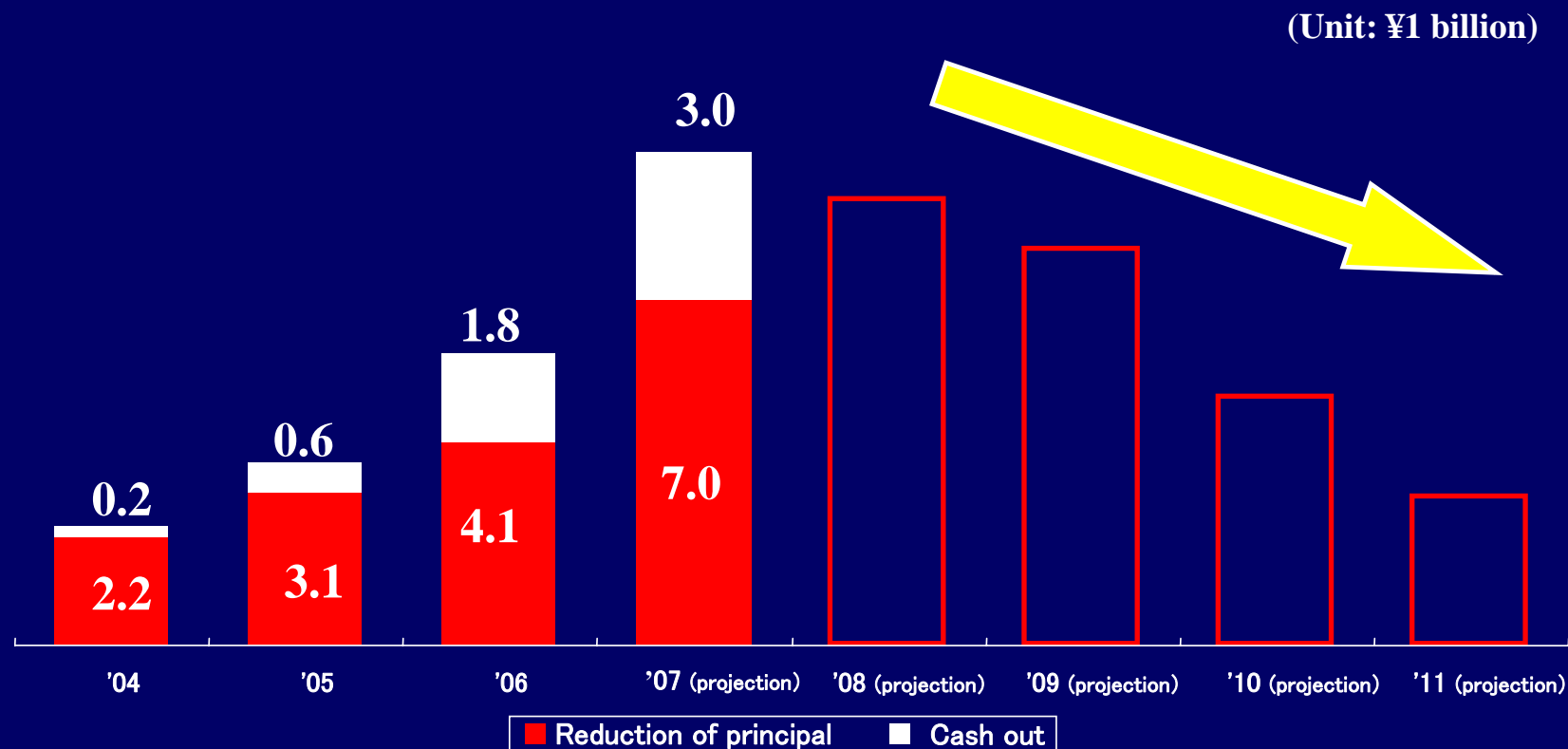
■ Credit costs

*Consolidated figures are aggregate delinquency costs



Trends in Interest Return Requests

Requests to return past interest paid are increasing, but within expectations.
Adequate reserves have been set aside (five years' worth) to meet future return requests.
Return requests are projected to peak in FY2007 and start declining in FY2008

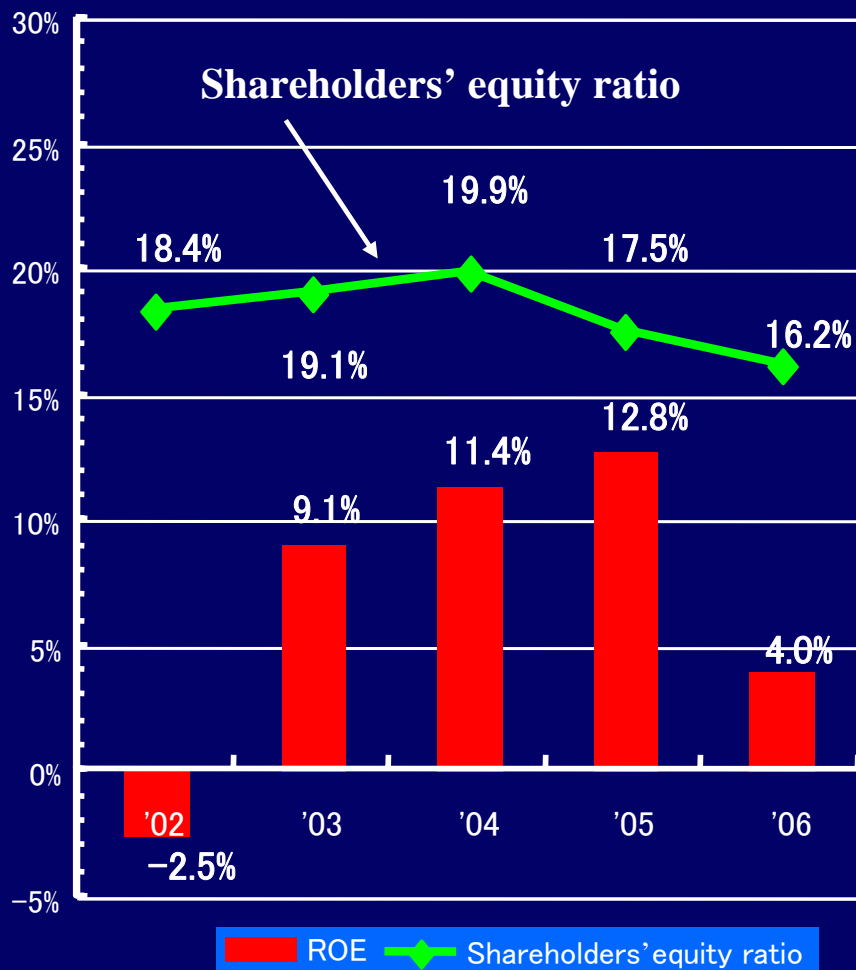


Shareholders' Equity Ratio & Return on Equity

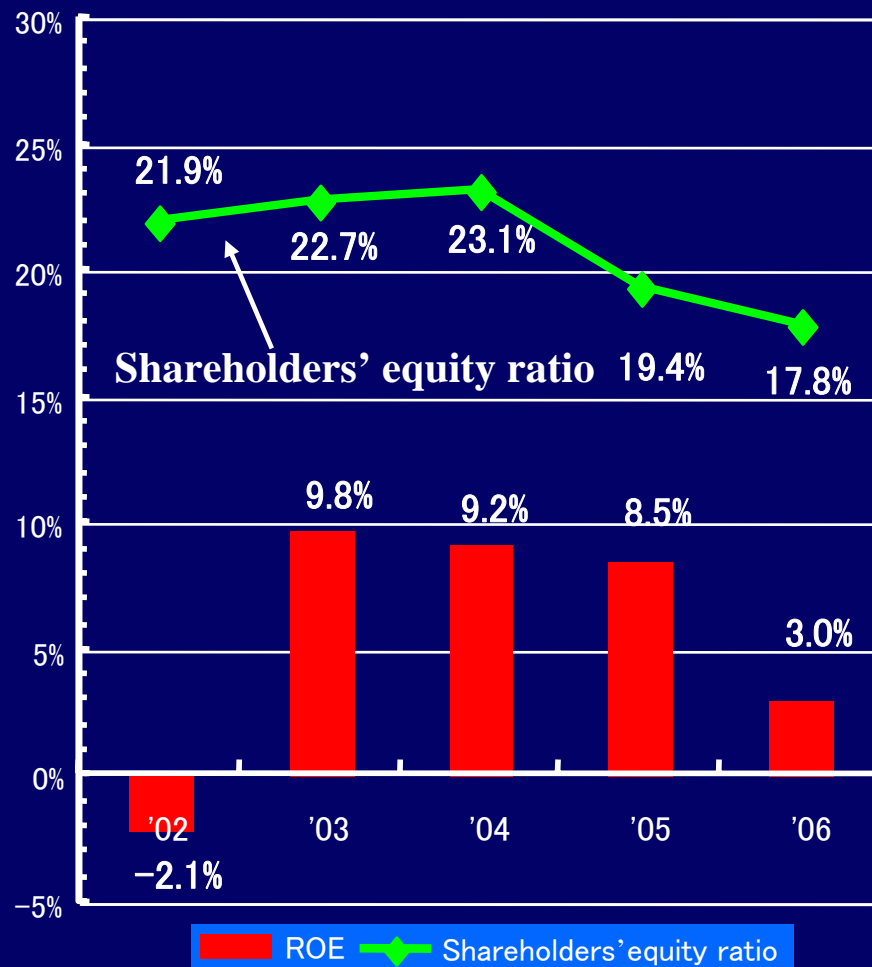
■ Shareholders' equity ratio & return on equity

Rating				
R&I	A ⁺	S&P	A ⁻	Fitch
				A

Consolidated



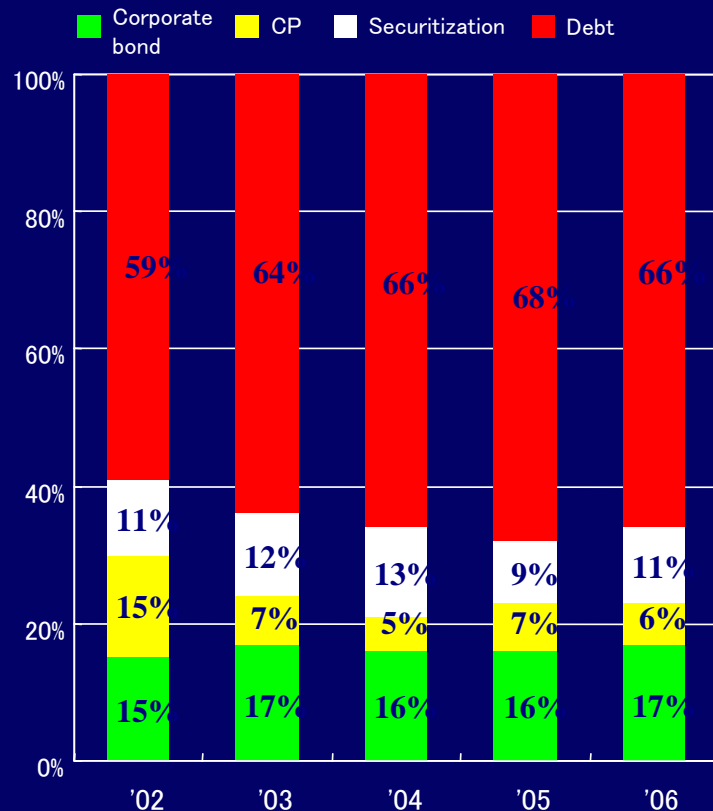
Non-consolidated



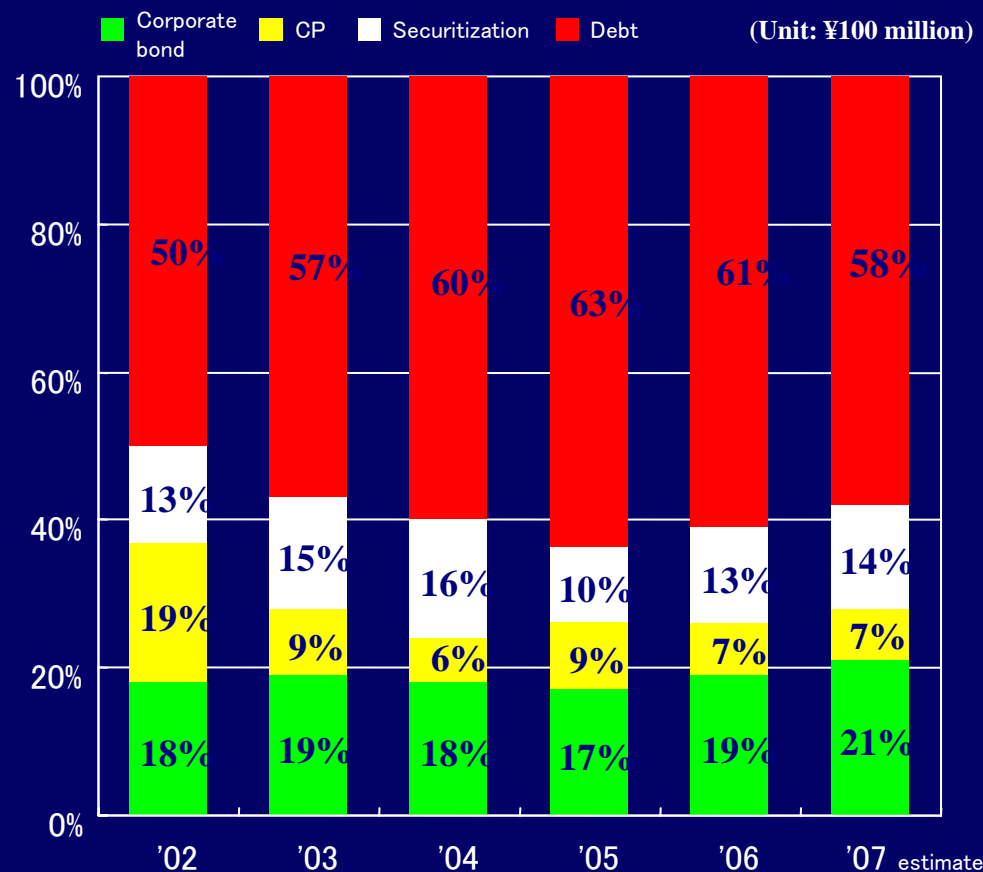
Fund Structure-I

Makeup of interest-bearing debt

Consolidated

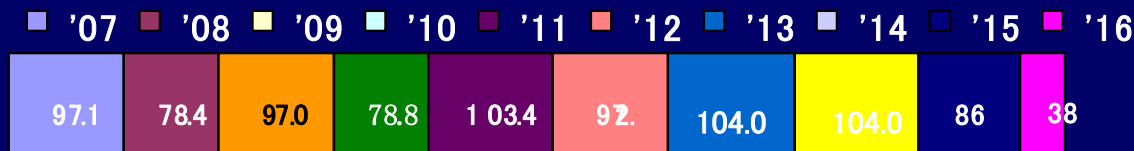


Non-consolidated



Long-term debt payback/redemption schedule

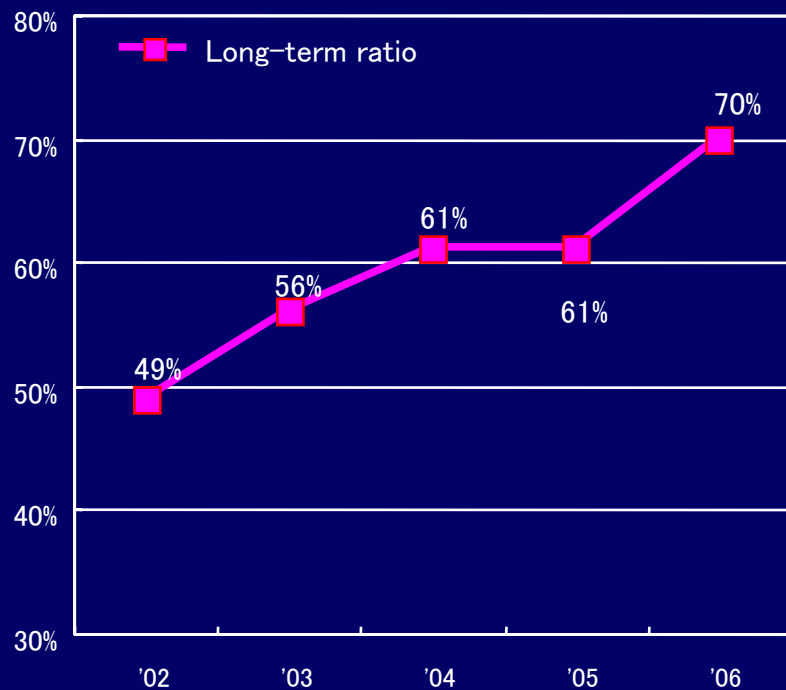
Balance of long-term debt as of March 31, 2007 (5-6 years on average): ¥973.8 billion



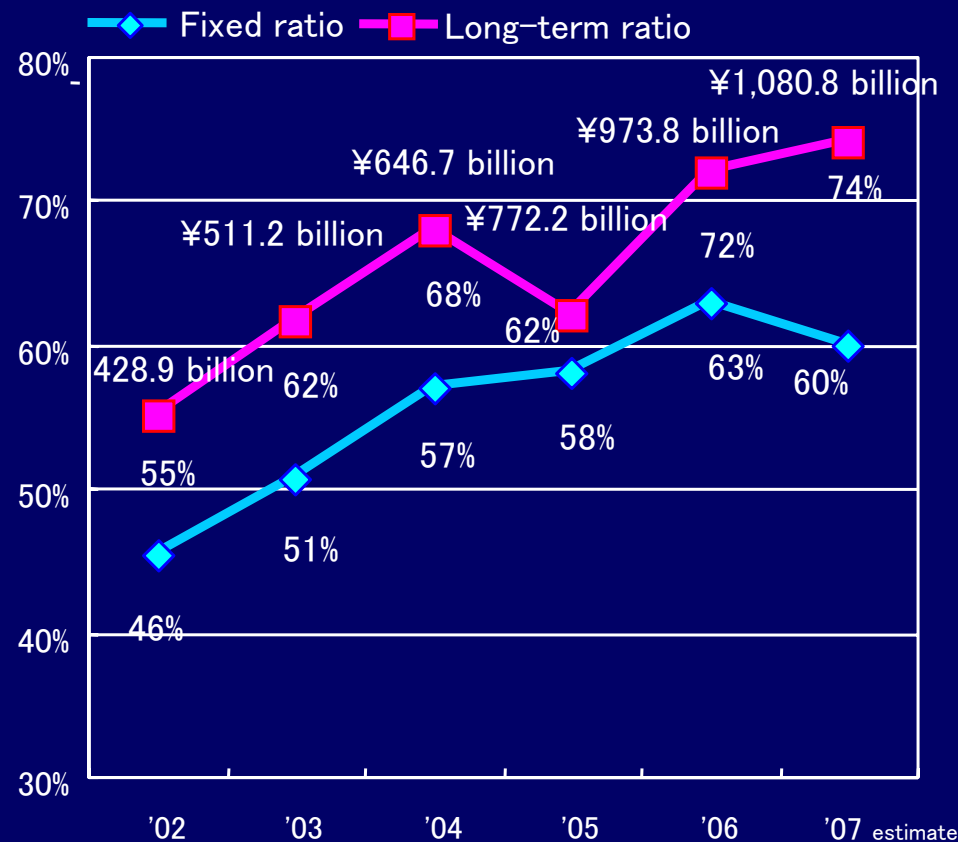
Fund Structure-II

■ Long-term ratio & fixed ratio

Consolidated



Non-consolidated



Dividends

Dividends

	FY'05	FY'06	FY'07 (projected)
Dividend per share	¥26	¥28	¥28
Total cash dividend	¥4.6 billion	¥5.0 billion	—
Payout ratio	11.0%	33.8%	19.3%





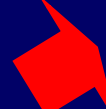

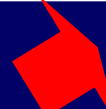
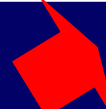
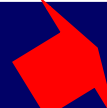
Credit Saison

Main Indicators

(Non-consolidated)

Main Indicators (Non-consolidated)

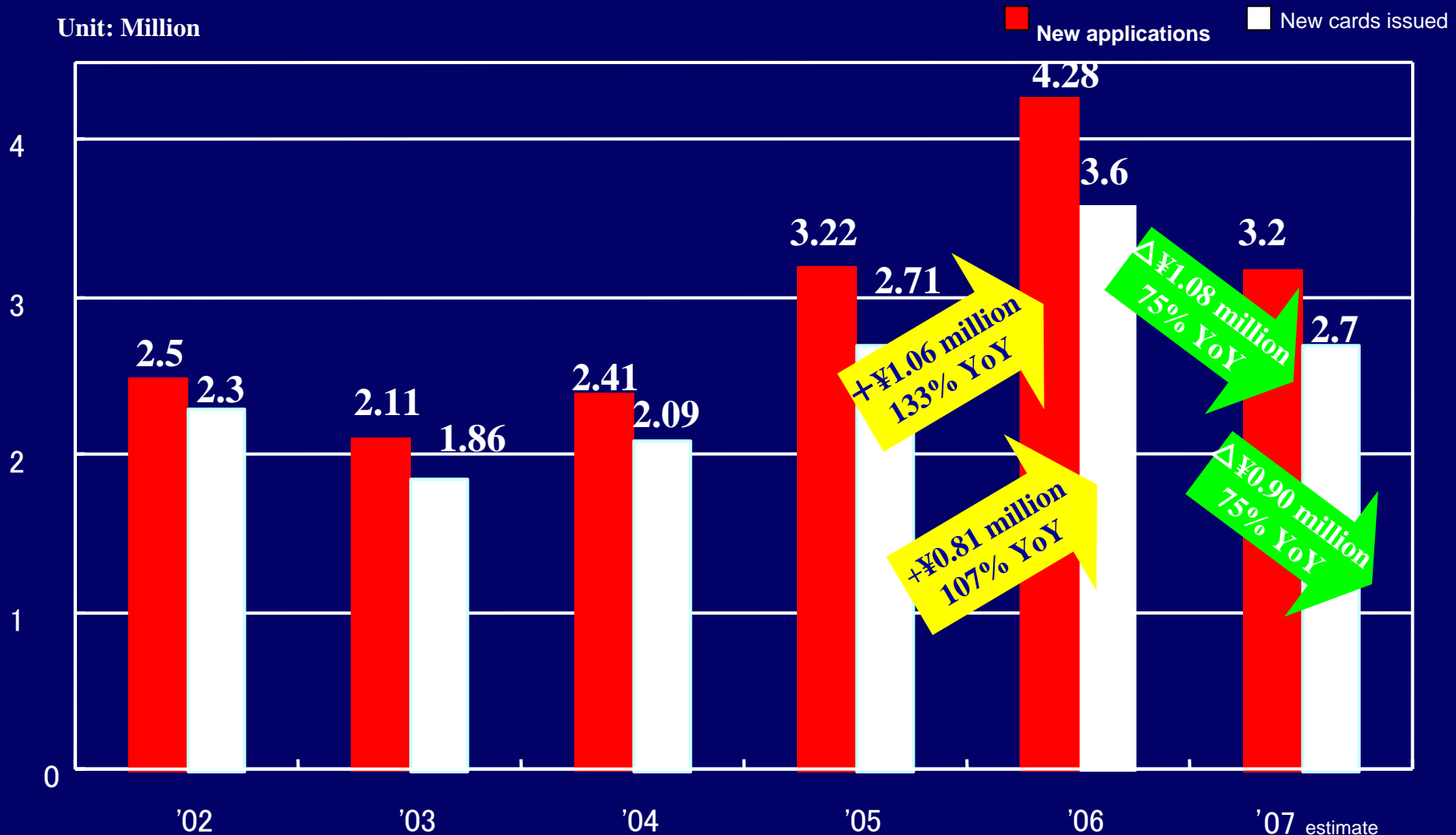
Figures in parentheses are year-on-year comparisons

	FY2006 results		FY2007 targets
① New applications	4.28 million (132.9%)		3.20 million (74.8%)
② New cards issued	3.60 million (132.8%)		2.70 million (75.0%)
③ Total cardholders	24.91 million (+2.12 million)		25.90 million (+0.99 million)
④ Active cardholders	12.49 million (+0.81 million)		12.95 million (+0.46 million)
⑤ Transaction volume	4,299.0 billion (136.6%)		4,691.5 billion (109.1%)
(Card shopping)	3,780.0 billion (135.8%)		3,780.0 billion (110.1%)
(Card advances)	865.1 billion (139.8%)		911.5.0 billion (105.4%)

New Card Applications & New Cards Issued

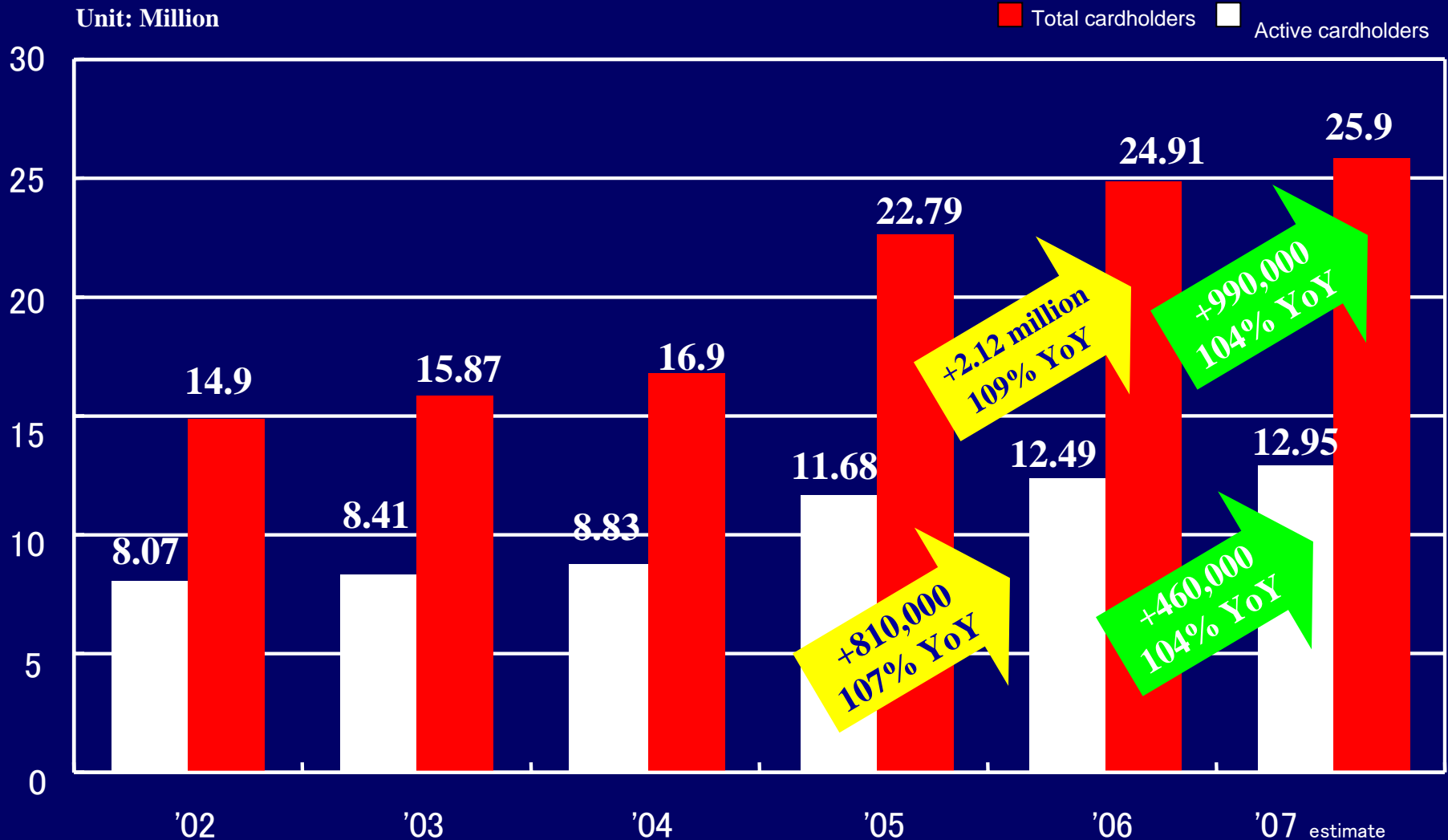
Emphasis on profitability and new applications for cards with high ratios of active cardholders

Unit: Million



③ Total Cardholders & Active cardholders

Increasing total cardholders and active cardholders through efficient marketing



⑤ Transaction Volume

Targeting a double-digit increase by continuing to expand scale of business

Unit: ¥1 billion

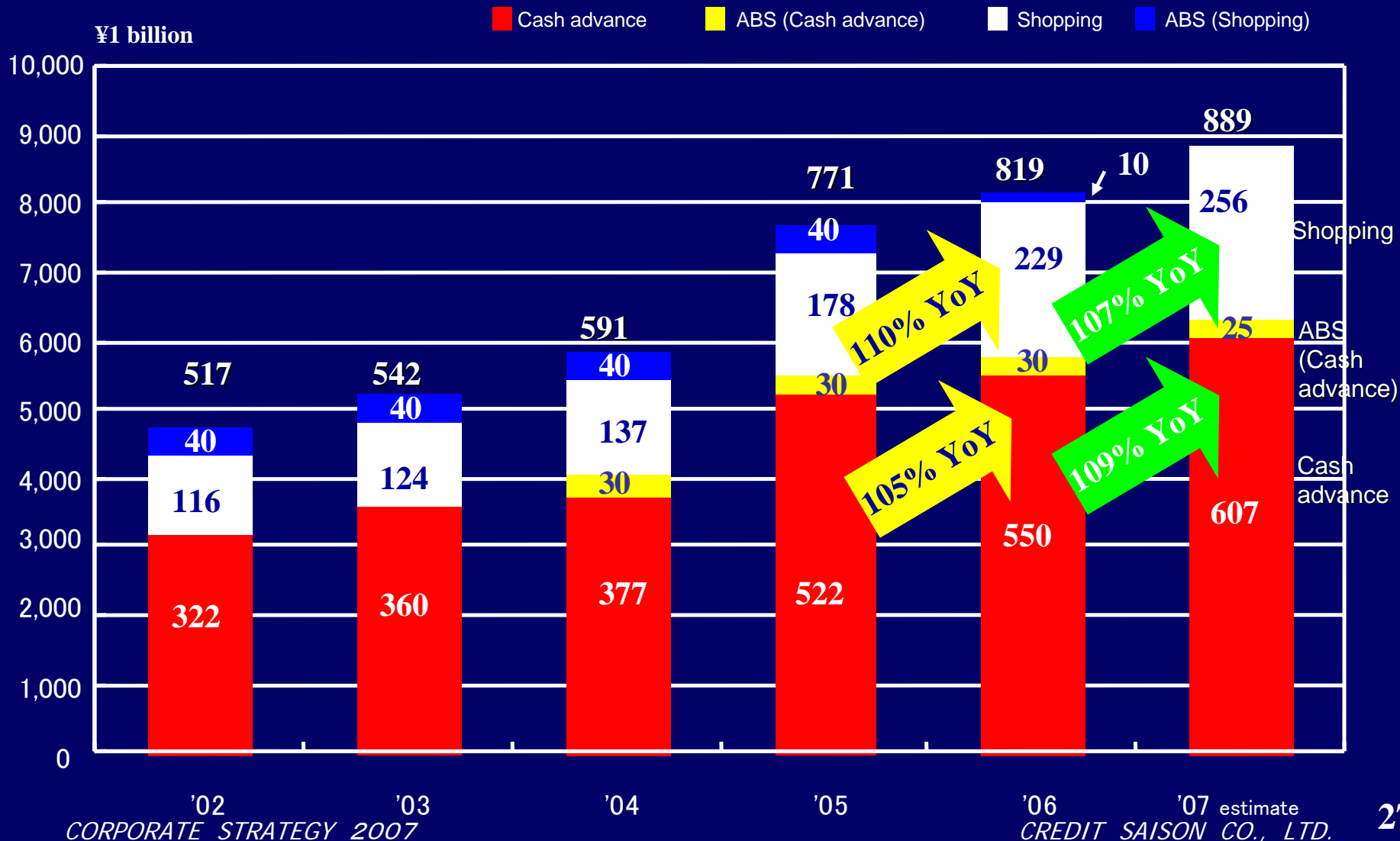
Shopping

Cash advance



⑥ Credit Loans Outstanding

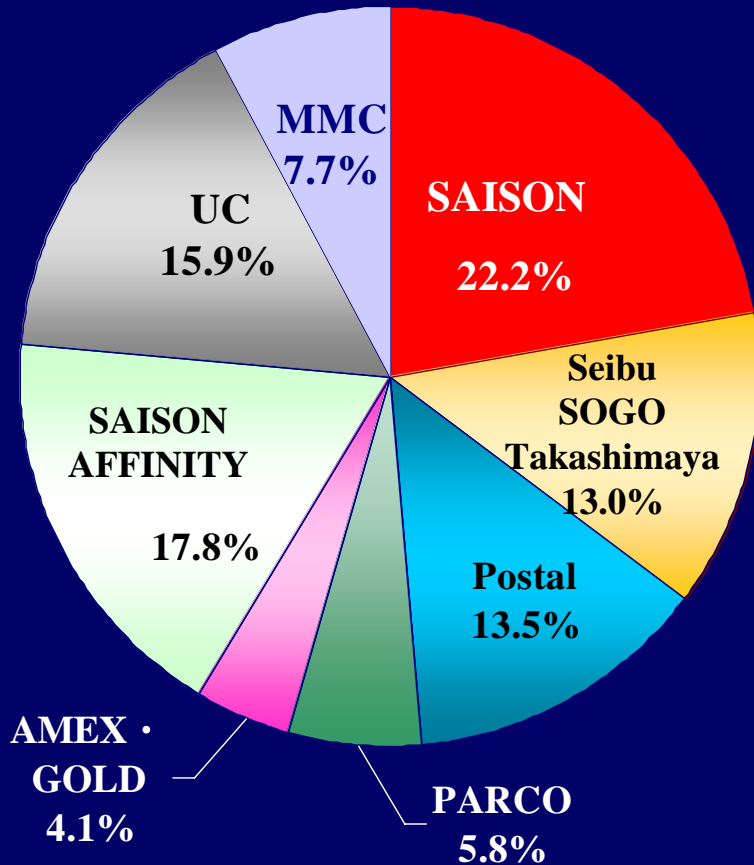
Steady increase in revolving credit card balances by acquiring prime customers



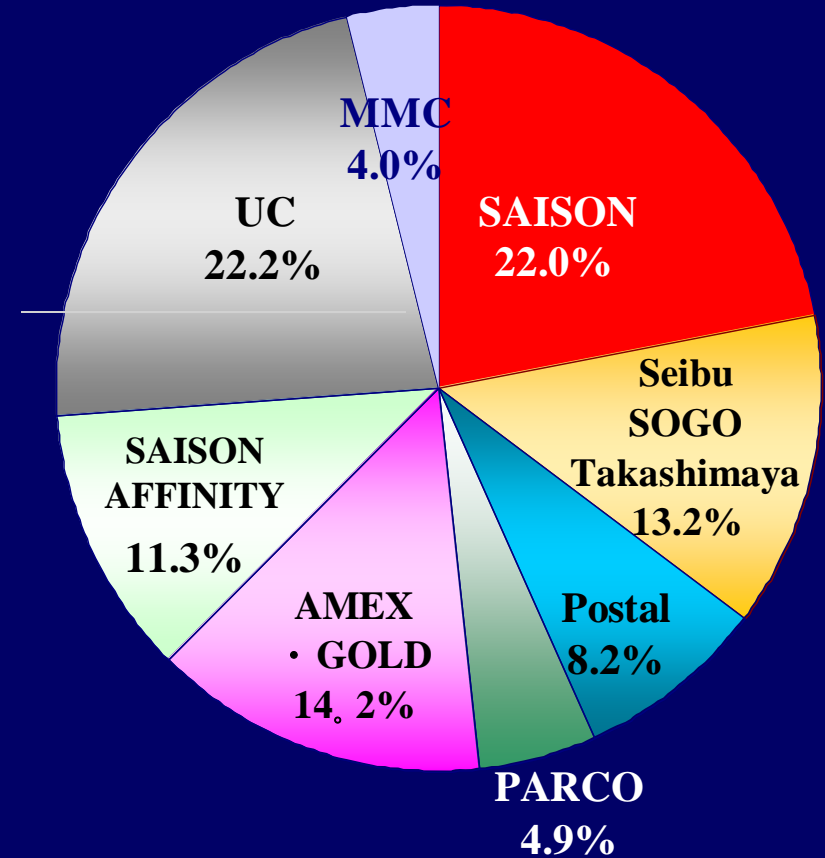
Reference: Credit Card Shares

Strong performance by Gold cards and other cards with membership fees,
including UC, AMEX and affinity cards.

Share of total cardholders



Share of shopping transaction volume





Management Strategy

**Medium-term Management Plan and
FY2007 Management Initiatives**

**Creating a Non-bank Financial Service
Business with Strong Market Presence**

I . Changes in the management environment

- (1) Details of changes in the business environment
- (2) How changes in the business environment impacts our company and the industry

II . Medium-term management vision and goals

- (1) Creating the No. 1 Credit Card Group
- (2) Becoming a non-bank business offering financial services beyond credit cards
- (3) Consolidated ordinary income goals for FY2010

III . Outline of the Medium-term Management Plan Taking Up the Challenge of Innovation

IV . Priority initiatives for FY2007

- Responding to the changes in the industry
- Implementing a multi-financial business
- Strengthening the Group companies
- Restructuring our business model
- Strengthening of Internet-based services

V . Reference materials



I . Changes in the Management Environment



I . Changes in the Management Environment

Our shining record of 24 fiscal years of continuous growth in sales and profits was intermitted

(1) Downsides of the current environment

- ① Capped interest rates & total-volume regulations
- ② Slump in consumer credit & finance companies
- ③ Long-term rising trends in official discount rate
- ④ Downtrend in merchant fees due to increases in public funds & public utility charges and small statement balances

(2) Positive aspects of the current environment

- ① Steady economic expansion
- ② Acceleration of the reorganization of the industry
- ③ Realization of mergers and acquisitions
Liquidation of portfolio
- ④ Shrinking cash advance market and fewer players
- ⑤ Our company's neutrality

1. Details of Changes in the Environment

(1) Revisions of laws regulating money-lending

- ① Non-bank financial companies conducting credit cards business are facing restructuring due to the current business environment
- ② Banks will have an advantage over non-banks due to the implementation of total volume regulations

(2) End of the low-interest and big financing era

- ① Steady gentle rise in short-term interest rates
- ② Movement towards an upward trend in medium-term interest

(3) Simultaneous growth across major world economies

For the first time, the world is entering an era of simultaneous, stable economic growth across all the world's major economies ⇒ movement towards simultaneous high stock prices and high capital

(4) Japan gets back on an economic growth track

- ① Japanese companies recovered revenues thanks to strong global economic growth
- ② Japanese stock and real estate values are growing at same pace as world asset values

(5) Development of Internet societies

- ① More than 85% of the Japanese population use the Internet regularly
- ② Increase in number of companies gaining revenues from internet use; Google, Inc. (U.S.) became the world's largest media company

2. Impact of Changes in the Business Environment

(1) The impact of revisions to laws regulating money-lending

- ① Capped interest rates will reduce our company's revenue by ¥25–30 billion
- ② Tightened regulations, including total volume regulations, will add restrictions to the operations of credit card companies

(2) The impact of the end of the low-interest and big financing era

- ① As our company carries close to ¥1.5 trillion in consolidated interest-bearing debt, an increase in interest rates will pressure our revenues
- ② For our company, which foresees stable increases in operating assets, diversification in funding methods is an absolute must

(3) The impact of strong growth across major world economies

- ① Simultaneous growth across the world's major economies will benefit domestic credit card companies only indirectly
- ② Japan's economy may have limited growth prospects due an aging population and fewer children

(4) The impact of Japan's economic recovery

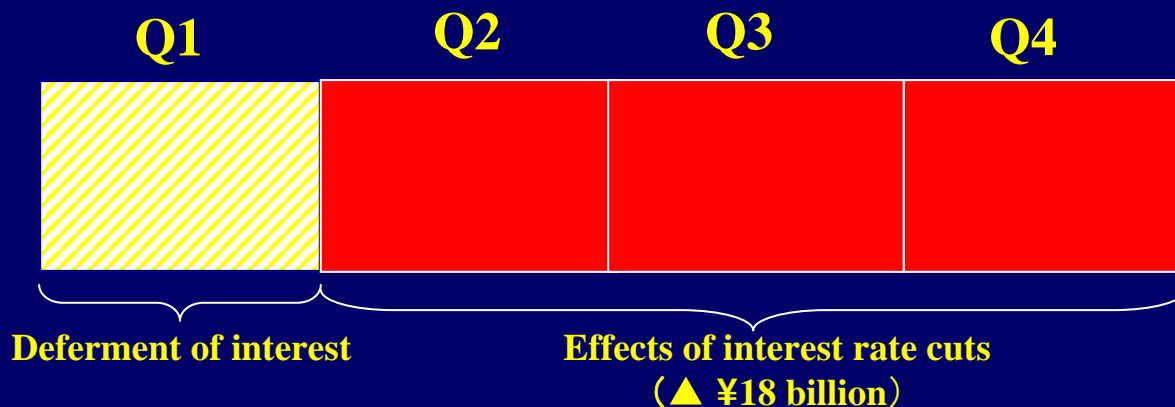
- ① We need to take note of current trends, such as the declining population, the higher rate of working women and the retirement of the Baby Boom generation
- ② We need a societal structure where individuals can benefit from the strong global economic growth

(5) The impact of the development of Internet societies

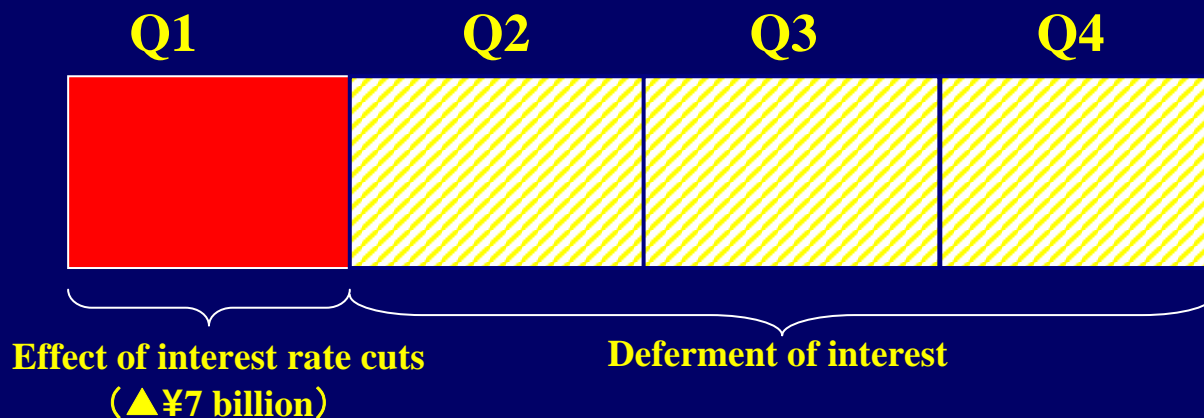
- ① Internet-based communication with cardholders will be remarkably strengthened
- ② The advantages for businesses based on face-to-face transactions will be fewer over the medium term

Effect of Interest Rate Cuts on Cash Advances (Non-consolidated)

FY2007
 Effect of interest rate cuts
▲ ¥18 billion



FY2008
 Effect of interest rate cuts
▲ ¥7 billion



The effects from the cash advance interest rate cuts will continue after the 2nd quarter of FY2007, but the year-on-year effects will occur from the 2nd quarter of FY2007 to the 1st quarter of FY2008.

As a result, the ordinary income of our company will be roughly equal to that of FY2000.



Ⅱ . Medium-term Management Vision and Goals

II . Medium-Term Management Vision and Goals

Creating a non-bank financial service business with strong market presence

(1) Creating the No. 1 Credit Card Group

- ① Market share goals; card shopping **30%**, cash advances/loans **5%**
- ② Promote flexible and aggressive strategies, such as expansion of active card members and expansion of the business portfolio
- ③ Cut costs through drastic rethinking of our credit card business processes through Web use
- ④ Cut costs and increase profitability by reforming traditional business methods

(2) Becoming a non-bank business offering financial services beyond credit cards

- ① Realize a balanced business portfolio that reduces dependence on one product
- ② Utilize multiple means such as management integration, M&A, new businesses and start-up of new companies

(3) Consolidated ordinary income goals for FY2009 : ¥70 billion

- ① The drop in revenues can be recouped in a single year and we should be back on the recovery track from FY2008
- ② The target for non-consolidated ordinary income for FY2009 is ¥45–50 billion

(For Reference) Medium-term Target Figures

FY2006 Medium-term Plan

FY2007 New Medium-term Plan

Period

5 years

3 years

Targets

Ordinary Income in FY2010
 Consolidated: **¥100 billion**
 Non-consolidated: **¥80 billion**

Ordinary Income in FY2009
 Consolidated: **¥70 billion**
 Non-consolidated: **¥40–50 billion**

Targeted increase
 in new card
 applications

5-year total of 25 million
 (includes capital alliances)

Average increase/year
2.5 to 3.2 million

Published last year

Review



Ⅲ. Outline of the Medium-term Management Plan

III. Outline of the Medium-term Management Plan

Taking up the Challenge of Innovation

Effects of the capped interest rate regulations

Recouping: Δ ¥30 billion consolidated Δ ¥25 billion non-consolidated

(1) Improving sales efficiency and restructuring the sales network

① Shifting know-how and spending to high-profit products

- decrease or eliminate slow-moving products

② Remodeling of the current sales offices

- Eliminate and consolidate branches, satellites and counters; revision of standards for opening a store
- Reorganize CD, ATM, unmanned card issuing machines based on operation ratios

③ Reformation of sales techniques

- Accelerate membership and approval processing by using Web resources

III. Outline of the Medium-term Management Plan

(2) Rearranging the business portfolio

Moving from a credit card company to a comprehensive financial services company

- ④ Strengthen non-card operations in addition to card operations
 - Real estate & business loans for corporations (sole proprietorships)
- ⑤ Split operations (start-up of joint processing company): 51% invested since April 08
 - New company to start up in October (transferring a portion of operations)
 - Dividing and transferring all card-related processing operations from April 08
- ⑥ Create a new profit source from a new Web-based business (⇒ next page)

(3) Securing new revenue sources using the Web

- ⑦ Promote expansion of services for Eikyu Fumetsu.com (online shopping mall)
- ⑧ Build a revenue-making business by promoting internet-based services:
Establish a "fee business" that does not require funding

(4) Cutting costs by using the Web

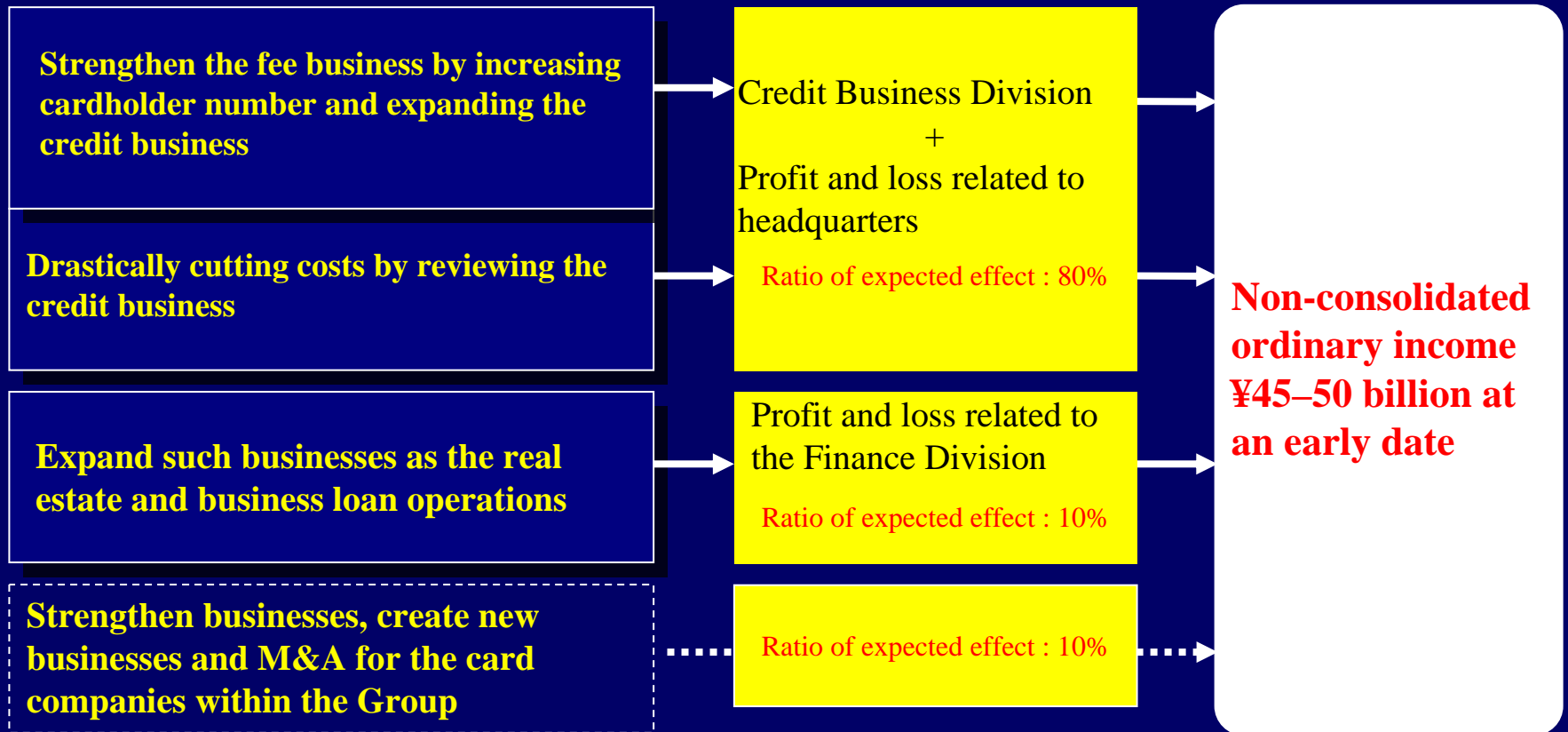
- ⑨ Renovating our business process using the Web
 - Web statements, a Web customer service center, Web news
- ⑩ Partnership with an IT company (mutual customer attraction scheme)

(5) Human resource development that makes use of each individual's unique capabilities

- ⑪ Mobilizing human resources through a recruiting firm
- ⑫ Management training through dispatching personnel to partner companies
- ⑬ Promote the appointment of women across the organization
- ⑭ Small headquarters and an appropriate number of directors

Reforming the Operating Structure to Achieve the Medium-term Plan

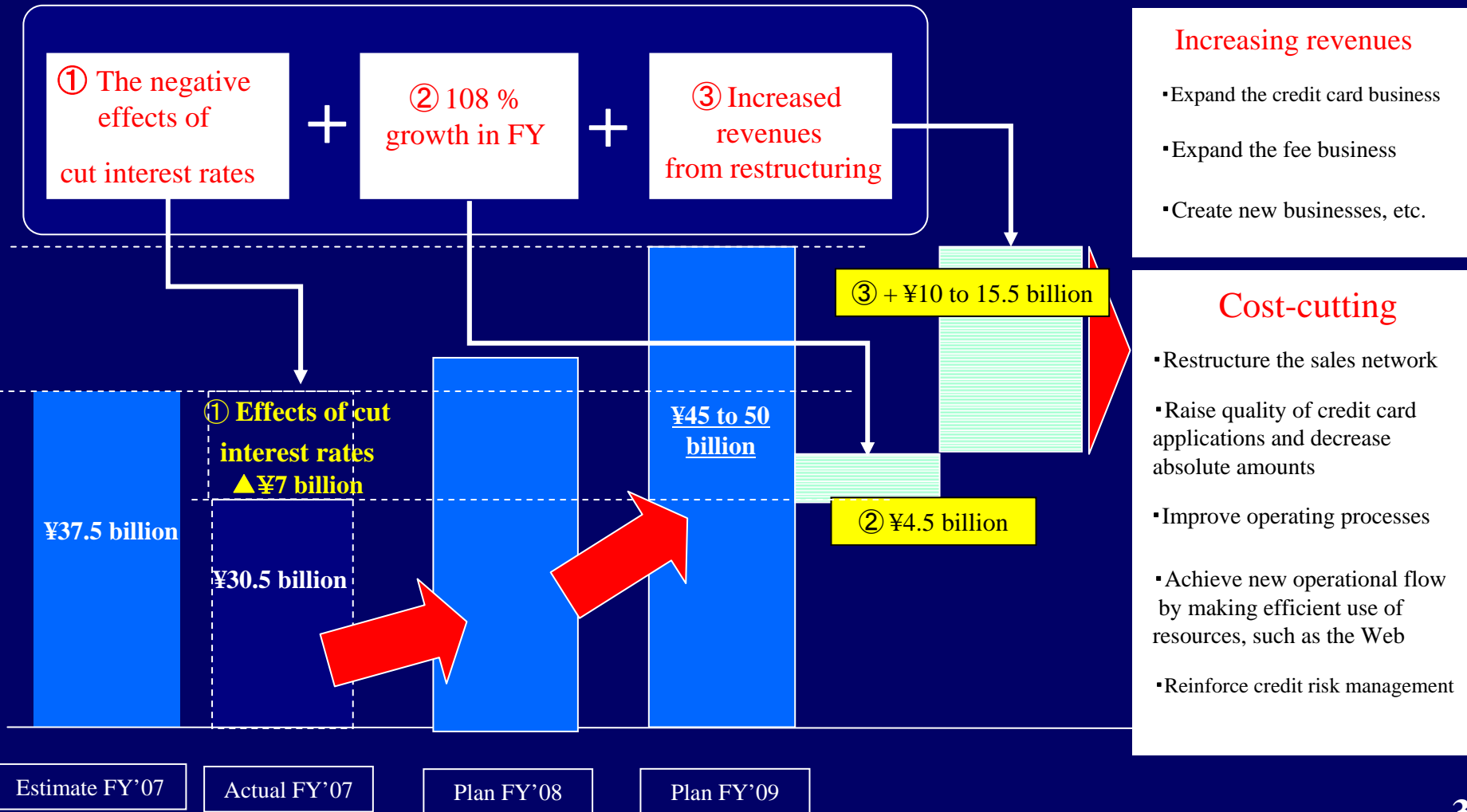
By reforming our operation structure, in addition to implementing the measures outlined in the original Medium-term Plan, we will recover **▲¥10–15 billion** over a short period (estimated 3 years)



The ¥10–15 billion will be roughly distributed 50:50 for the dual objectives of increasing revenues and cutting costs.

Increased Revenues Needed to Achieve New Goals

In order to compensate for a in cut interest rates effecting two fiscal years (¥18 billion in FY2007 and ¥7 billion in FY2008 = ¥25 billion), additional revenues of ¥10 to 15.5 billion are needed up to FY2009.



(For Reference) Outlook for the World Credit Card Industry

- (1) VISA dominates the world market**
- (2) AMEX has room to grow its share of the U.S. market**
- (3) The U.S. check market is changing to electronic money**
- (4) As it is, JCB will lose its market presence**
- (5) VISA and MASTERCARD are listed**
- (6) Most likely, banks will dominate the U.S. market**
- (7) As for credit, estimated that 30% is the upper limit**
- (8) Most of the retail type cards have sold out**
- (9) HSBC's presence in the U.S. is weak**
- (10) The market trends in Asia are a key focus point**



IV. Priority Initiatives for FY2007

IV. Priority Initiatives for FY2007

The Key Word is . . .

Web Usage

Restructuring the Business Model

Ongoing Implementation of Strategic Alliances

(1) Placing Group credit card companies on track to success

① **Joint venture companies started last year that will start full sales operations from this fiscal year**

- Shizugin Saison Card (April 3–)
- Daiwa House Financial (early June–)
- Yamada LABI Card expanded income contribution

※ Transfer of administration and Takashimaya card data from Takashimaya Credit (by May 21)

② **Ongoing development of new alliances**

- Expansion of local strategies ... Promote a three-way partnership to become the No. 1 Credit Card Group through local financial institutions + local large wholesalers + Saison

Income contribution from Shizugin Saison Card and Daiwa House Financial beginning from FY2010

(2) Reinforcing credit business profitability through Web use

- ① **Make the most of high-activity customers/expand net membership through the Web**
 - Membership promotion through Eikyu Fumetsu.com and strengthened mobile phone compatibility
- ② **Low-cost operation through Web use**
 - Accelerate transfer to web statements, digitalization of information media, launch

**Income
contribution
from this
fiscal year**

(3) Growth of fee business based on Net Answer memberships and expansion of memberships through IT industry alliances

- ① **Development and expansion of Eikyu Fumetsu.com**
 - Start service of Eikyu Fumetsu.com for mobile phones (from July)
 - Start service of Eikyu Fumetsu.com for businesses (due December)
 - ② **Fee business based on internet membership**
 - Market research business (due July), net advertising (from May)
 - Business to support the launch of e-commerce (due October)
- ✂ Goal for end of the term : Net Answer members : 2.5 million; Eikyu Fumetsu.com stores : 300 stores

**Income
contribution
from this
fiscal year**

(4) Promote the expansion of highly active customers

① Increase cards for highly active customers and wealthy

- Aggressive Shift to annual rate cards
(GOLD / AMEX . . . current share: 4.1% ⇒ goal: 20%)
- Expand the Affinity Premium Cards

② Asset Management and PB Service geared to premium members

③ Decrease or eliminate low-activity cards and applications for these cards in the near future

Income contribution
from this fiscal year



(5) Renovate and increase efficiency of card application methods and sales network

① Review the existing nationwide sales branches (from 2nd quarter)

- Satellite Offices: closing 25 this year (currently 35)
- Saison Counters: over 20% closing this year (currently 171)
- Standards for opening a branch from now on: rethink control area of the branch

② Rethink standards for setting up CD/ATMs

- Close or open branches depending on activity level and efficiency:
50% of branches to be closed this year

(6) Strengthen cash advance and loan services

- ① Lower cash advance interest rates, reduce all real interest rates to below 18%**
 - SAISON . . . from July 17; UC . . . from June 11
- ② Market-rate interest loan products beginning from the 2nd half of this term**
 - Provide a product that is reasonable from the perspective of the customer while securing revenues

(7) Start operation of joint processing company

- ① New company will become a 100% wholly-owned subsidiary of UC CARD from October**
 - Initially only the record-keeping work will be transferred to the new company
 - We will provide 51% of the investment, and all administrative office work will be transferred to the new company in April 2008
- ② Responding to the low profitability of the credit business**
 - Solicit clients from other than SAISON and UC; estimated cost cuts of 15 to 20% by the time next generation system is launched
- ③ Will not estimate the effects of cost cuts for this fiscal year**

(8) Implementing a Multi-Financial Business

① Strengthen the investment business

- Develop, handle and create businesses that handle investment products suitable for a society characterized an aging population and fewer children, more women in the workforce and retirement of the Baby Boom generation
- Asset management support for members who are affiliated with Saison Asset Management

② Develop new core businesses

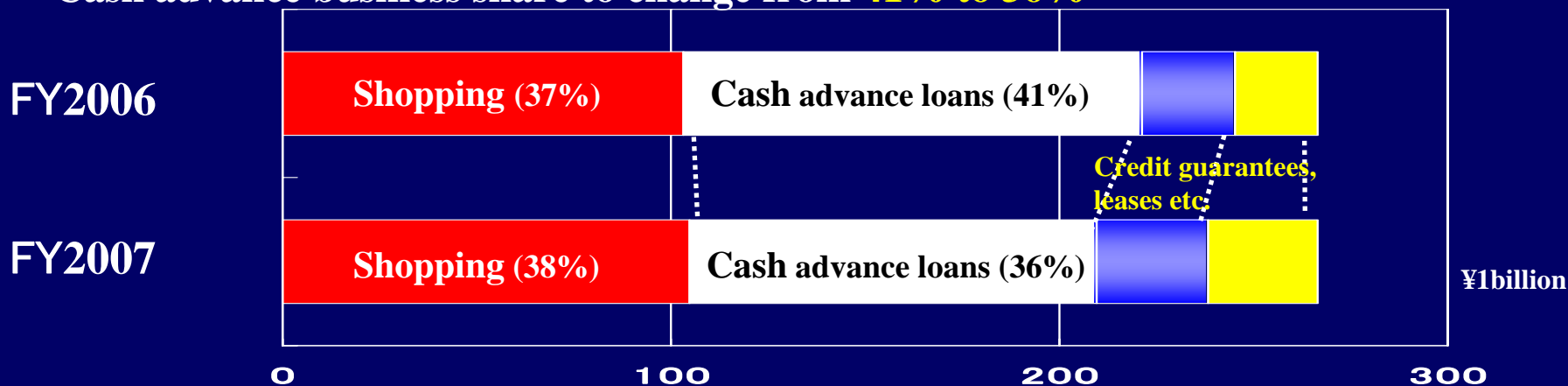
- Do business that "takes a risk to secure revenue" through real estate financing, small business loans, etc

Income contribution
from year after next
fiscal year

(Reference) Changes to the Revenue Structure

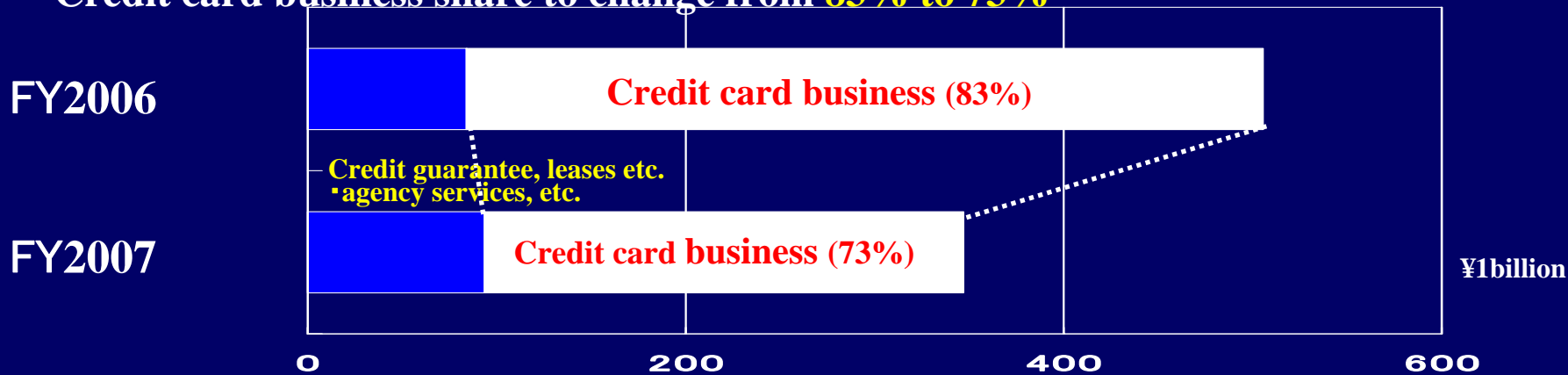
Changes to the revenue structure

Cash advance business share to change from **41% to 36%**



Changes to the revenue structure by business segment

Credit card business share to change from **83% to 73%**

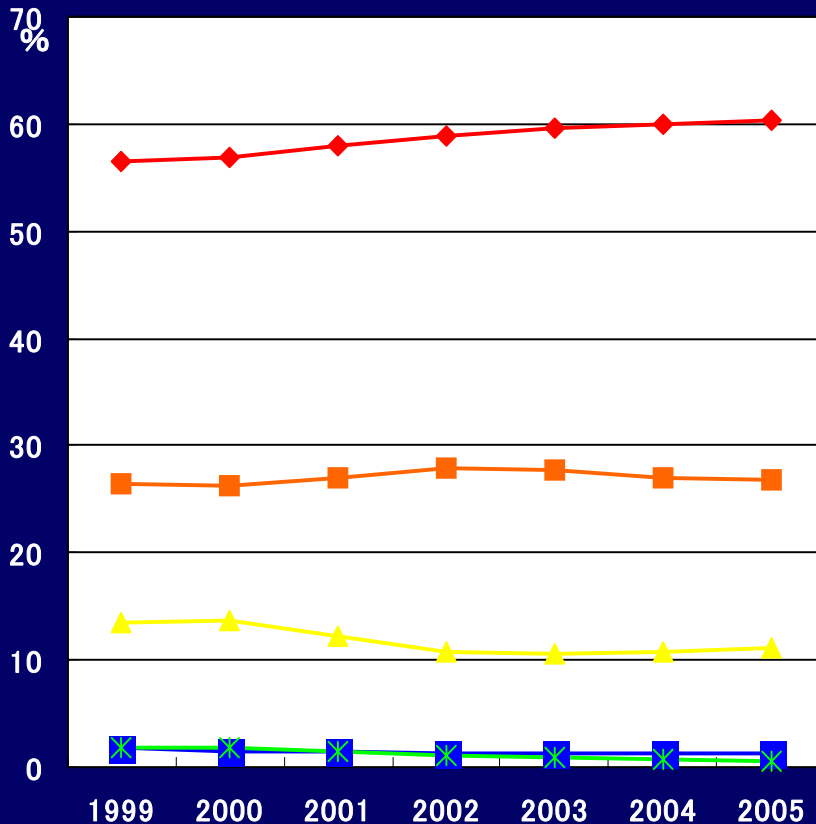


V . (Reference) Credit Card Market Outlook

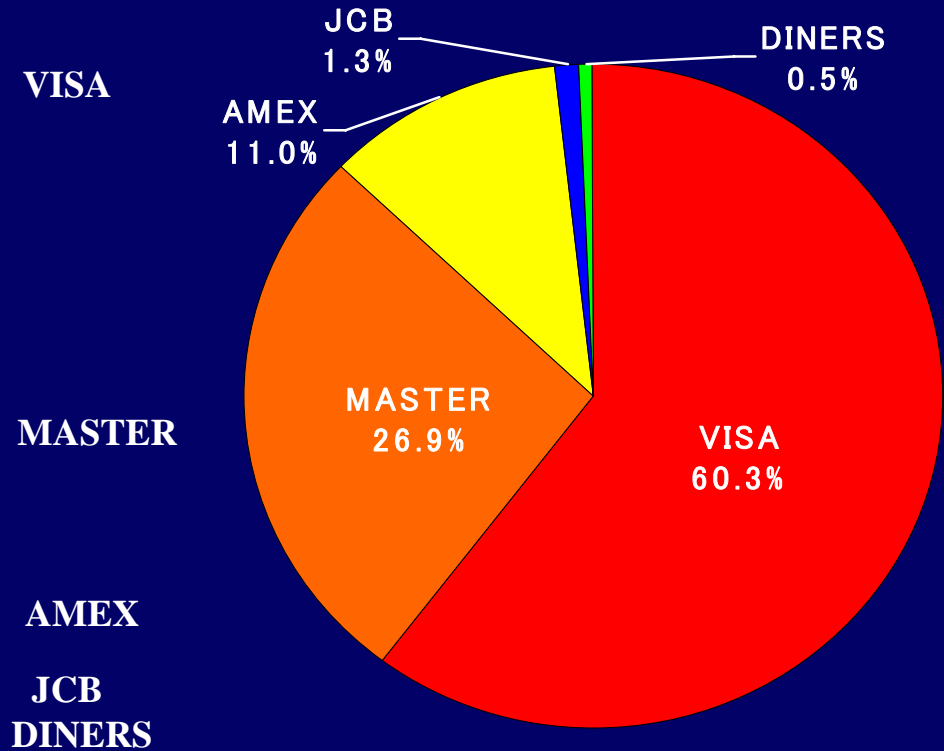
- **Outlook for the world credit card industry**
- **Changes to the global market**
- **Changes to the U.S. market share**
- **Japan's credit card industry outlook**
- **Changes to the domestic credit card market**
- **Domestic credit card industry's share of shopping transaction volume**
- **Consumer credit lending balance (unsecured)**
- **Macro outlook for consumer loan market**
- **Trends in the most recent stock values of our company**

(Reference) Changes to the Global Market

Transaction Volume Share Trends by International Brands



Global Volume Transaction Shares for 2005



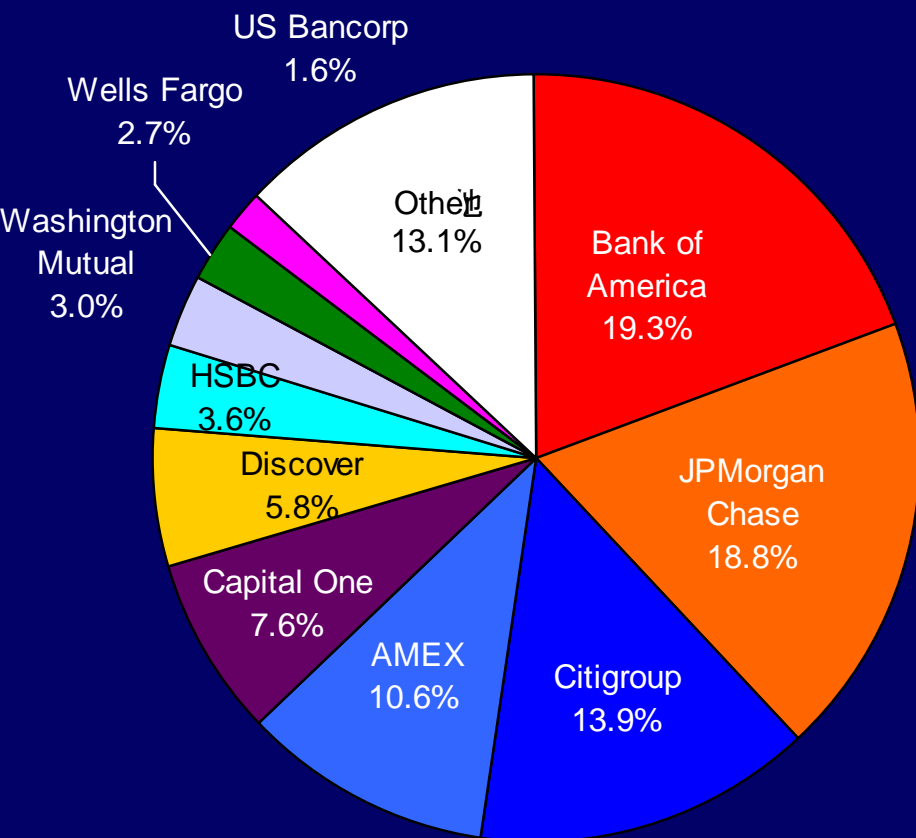
	1999	2000	2001	2002	2003	2004	2005
VISA	56.5%	56.9%	58.0%	59.0%	59.6%	60.0%	60.3%
MASTER	26.5%	26.3%	27.0%	28.0%	27.7%	27.0%	26.9%
AMEX	13.4%	13.6%	12.1%	10.8%	10.6%	10.8%	11.0%
JCB	1.8%	1.4%	1.4%	1.3%	1.2%	1.3%	1.3%
DINERS	1.8%	1.8%	1.4%	1.0%	0.9%	0.8%	0.5%

Source: NILSON REPORT
 Combined total of credit and debit for VISA and MASTERCARD. For other companies, only credit is shown.

(Reference) Changes to the US Market Share

As a result of a wave of M&A (joint ventures and sale of credits), the top three companies control a majority (at the end of 1995, nine companies controlled the majority).

■ Credit Balances by Issuers



Ranking	Issuer	Number Issued
1	Bank of America	12,130
2	Citigroup	10,910
3	JPMorgan Chase	10,200
4	Capital One	5,730
5	Discover	5,250

Ranking	Issuer	Transaction volume
1	AMEX	3,990
2	JPMorgan Chase	2,938
3	Bank of America	2,535
4	Citigroup	2,135
5	Capital One	1,021

(Reference) Japan's Credit Card Industry

- (1) Predicted to be comprised of the three mega-bank groups**
- (2) The difference between the three mega-bank groups**
- (3) JCB's functionality and affiliations is a key point for consideration**
- (4) 30% will be the market share goal**
- (5) The capped interest rates will accelerate company restructuring**
- (6) The small payments market will be in focus**
- (7) Forecasts for the movements of foreign-backed companies**
- (8) Japan Post's strategies and topics**
- (9) Local bank strategies and topics**
- (10) The presence of non-core businesses**

(Reference) Changes to the Domestic Credit Card Market

Mizuho FG




Credit Saison











Resona HD



Sumitomo Mitsui FG









JP BANK ゆうちょ銀行

Postal Bank



JCB

Mitsubishi UFJ FG



農林中央金庫
UFJ Nicos






Others










GE Consumer Finance

NTT DoCoMo





JR



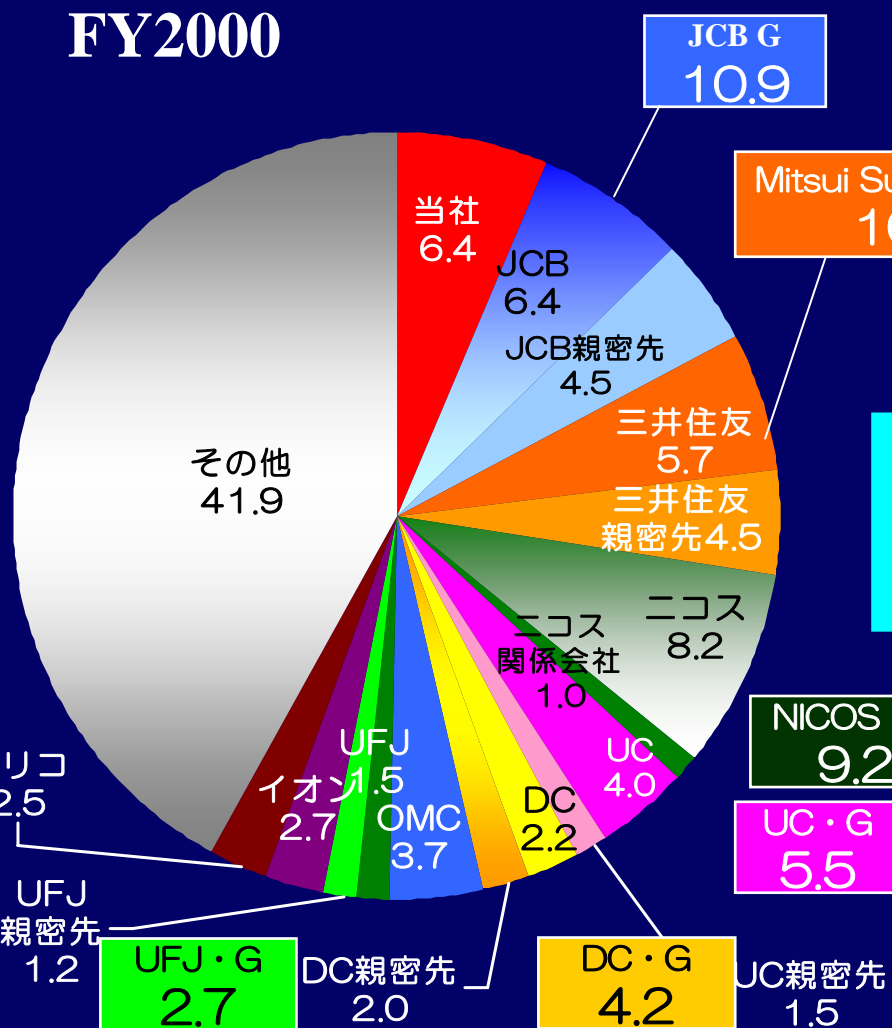



Smart plus

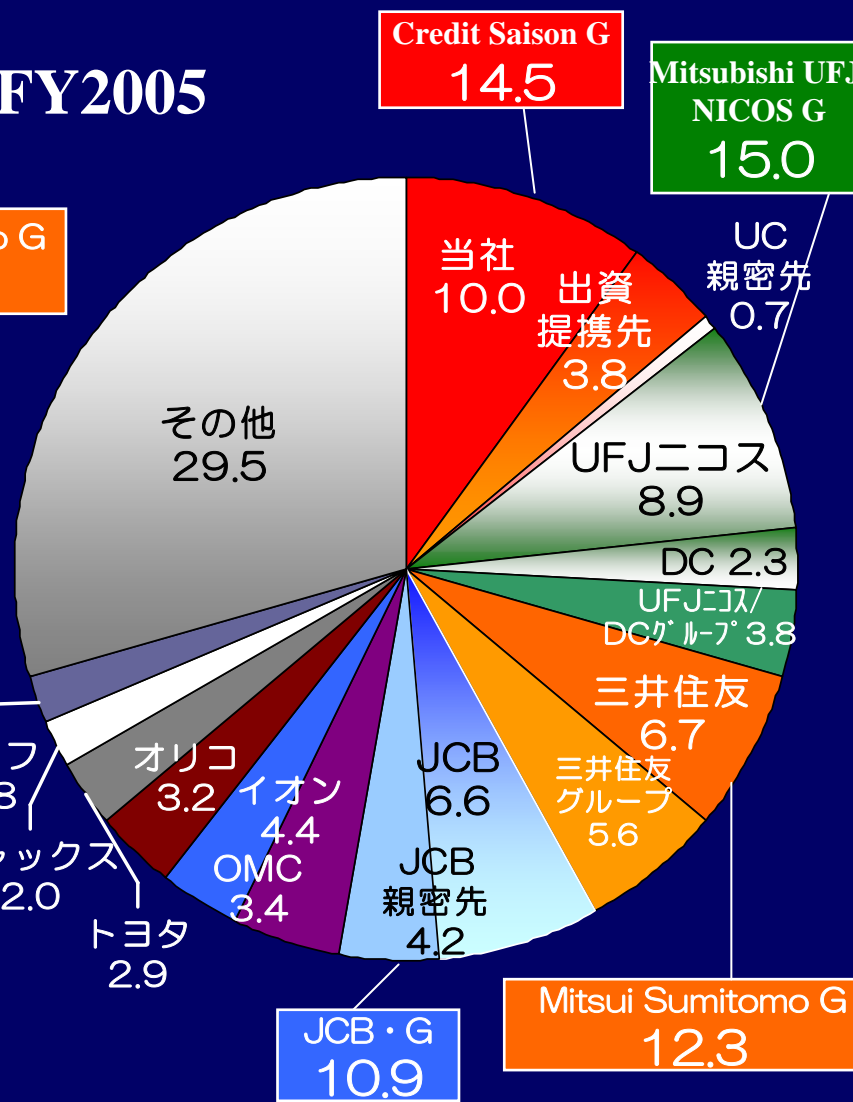



(Reference) Domestic Credit Card Industry Share of Shopping & Cashing Transaction Volume

FY2000



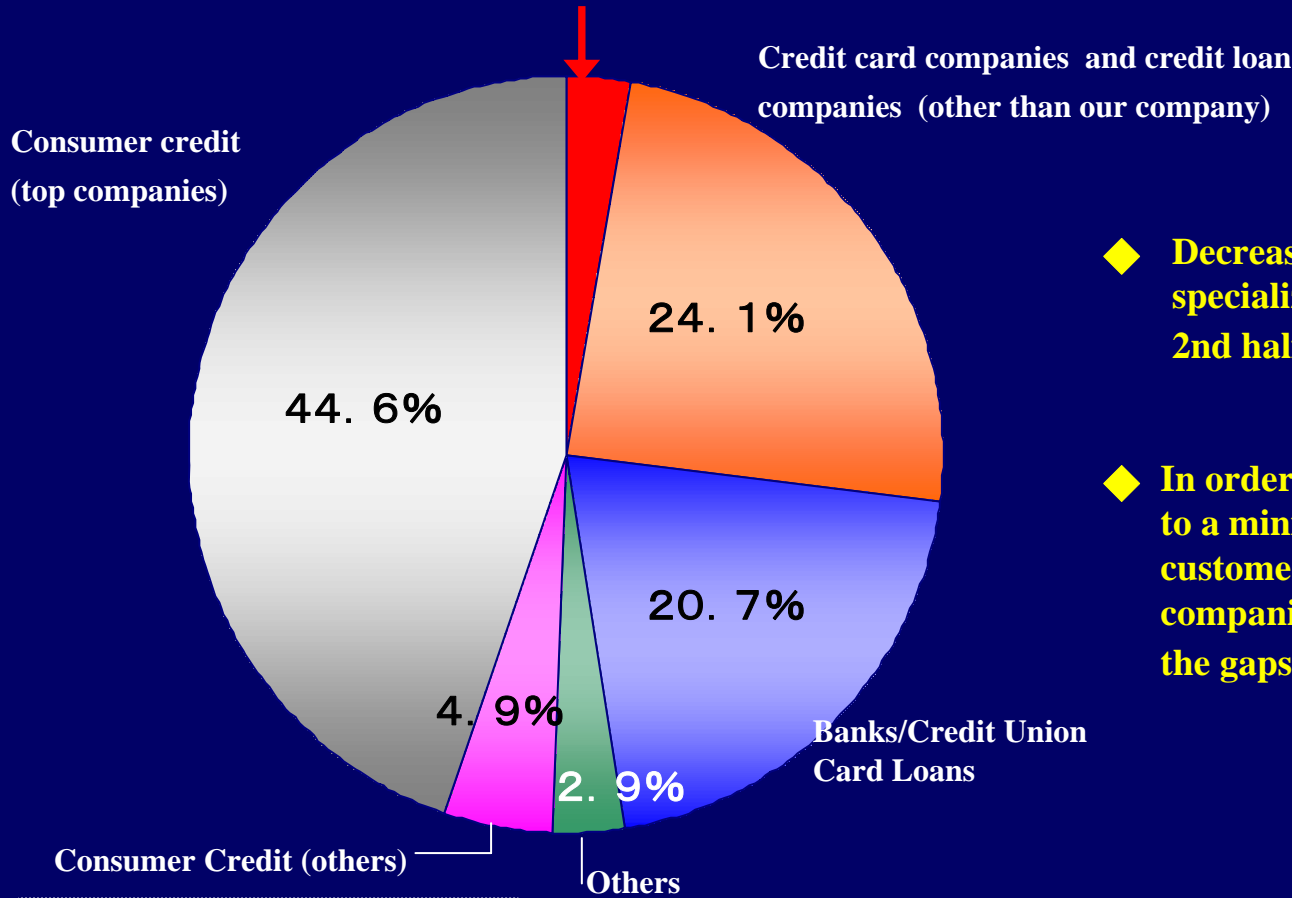
FY2005



- ※ Capital alliance partners: combined totals of LAWSON CS Card, Inc., Idemitsu Credit Co., Ltd., Resona Card Co., Ltd., and Takashimaya Credit Co., Ltd.
- ※ Close partners : Companies, etc., using the brand (The "Group" includes all affiliated companies, capital alliance partners and close partners)
- ※ UFJ NICOS and DC will merge as of April 1 (the new company name is 'Mitsubishi UFJ NICOS')
- ※ Calculated using our own estimates (combined total of card shopping and cash advances)

(Reference) Consumer Credit Lending Balance (unsecured) for FY2005

Credit Saison: 2.8%



- ◆ Decrease in the number of companies specializing in consumer credit from the 2nd half of FY2006
- ◆ In order to keep the market contraction to a minimum without failing to meet customer needs, either the credit card companies or the banks will have to fill the gaps.

¥21.5 trillion

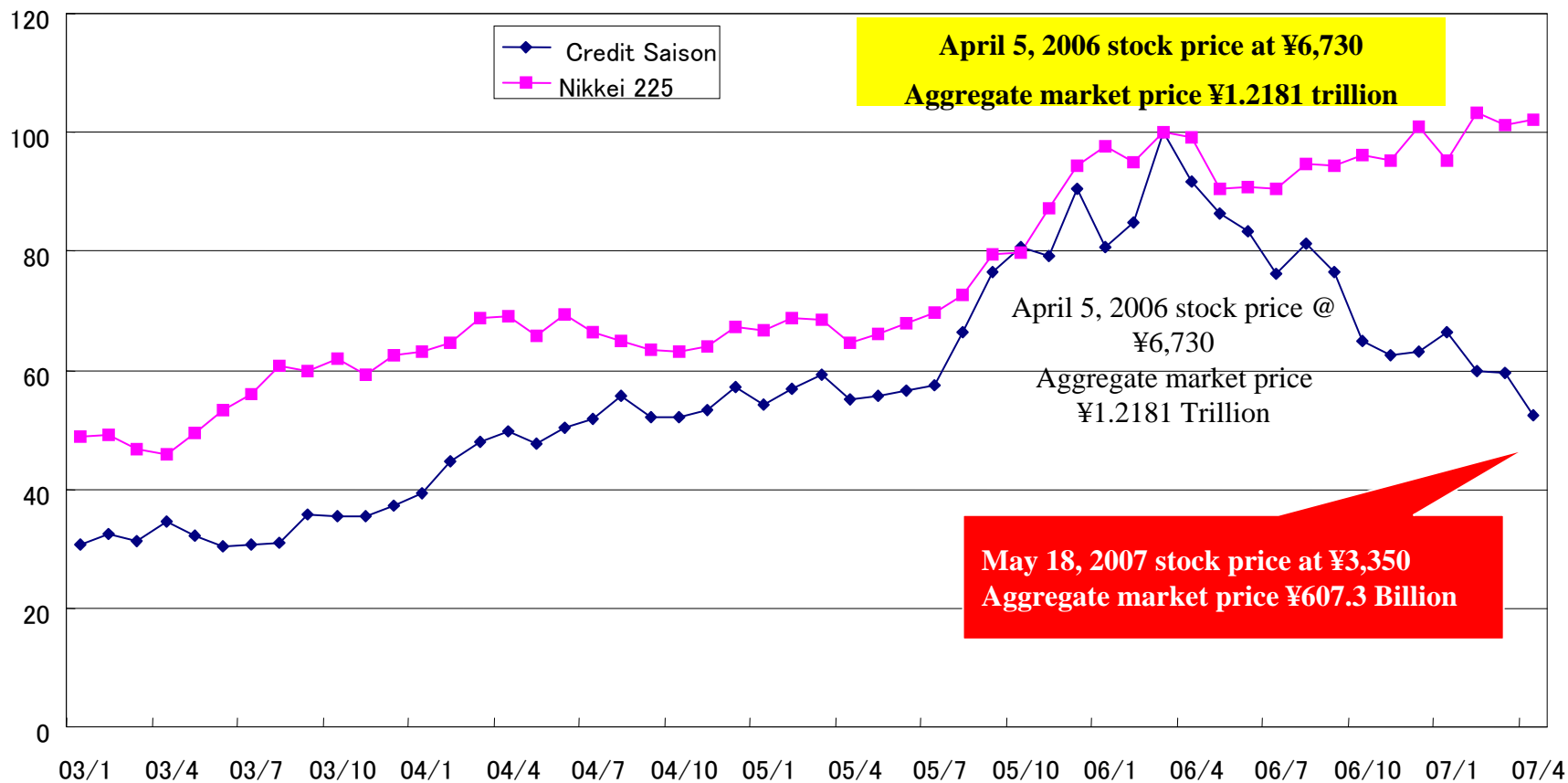
※Source : Taken from “Japan Consumer Credit Statistics” 2006 edition, Japan Consumer Credit Industry Association; “Consumer Credit Monthly” September, 2006, Kinzai Institute for financial Affairs, Inc.

※The figures for our company are the combined totals taken from the end of March, 2005 of Credit Saison, UC CARD and Saison Fundex

(Reference) Trends in the Most Recent Stock Value of Our Company

Among surfacing industry risks, we must ascertain whether we will be able to continue to achieve the mark necessary to be seen as a growing company

Trends of stock price of Nikkei 225 and our company after 2003 month-end price 2006/3=100)



Get a taste of being a racehorse owner! Your dream can come true with the SAISON Card!



THOROUGHBRED CLUB SAISON

サラブレッドクラブセゾン

The Racehorse Lovers' Joint Capital Investment Program is where the investment rights to own one racehorse will be divided up into 200 or 400 lots, and members will be invited to invest in these lots. If the racehorse invested in should win a cash prize, you will receive dividend distributions based on the number of lots you own.

◆ This year, we have 20 promising racehorses set aside for the THOROUGHBRED CLUB SAISON.

Club Member Benefits

- You can pay using your Saison Card (earn SAISON Permanent Points)
- Receive a monthly newsletter
- Invited to participate in an annual visit to the racehorse breeder
- Receive dividends when your racehorse wins
- Visit our website for details

www.saison-tc.co.jp

The Latest Club News

- **Announcing the latest line-up of FY2007 recruited racehorse**
The lineup for FY2007 recruited racehorses has been chosen. Offerings begin on Monday, July 2.
- **Invitation to the Horse Visit Tour**
1 night/2 day tour from Sat., June 16 thru Sun. 17 visiting the **Cosmo View Farm** in Niikappu, Hokkaido, the home of thoroughbreds. Decide now to assess your racehorse's performance on this tour (now accepting applications).