

Management Report FY2007



June 23, 2008
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.

April–September

- ◎ April: Shizugin Saison Card Co., Ltd. commenced business and issued the ALL-S card.
- ◆ May: Restructuring of sales network and review of branch offices.
- ◎ May: Daiwa House Financial Co., Ltd. issued the Heart One Card, a Daiwa SAISON card.
- ◎ May: JPN COLLECTION SERVICE Co., Ltd. (loan collection agency) made a two-for-one stock split.
- ◆ June: Introduced credit card payment facilities for water charges in the 23 wards of Tokyo and for gas bills in Sendai.
- ◆ June–July: Lowered interest rates for all cash advances to 18% or less to comply with Japan’s new Money Lending Business Control and Regulation Law.
- ◆ July: Credit Saison Co., Ltd. began to accept applications for the Yamakataya Card, issued in partnership with the Yamakataya Group.
- ◆ August: “Qubitous” was chosen as the name of the new joint processing company.
- ◆ September: Credit Saison issued the LPGA CLUB Card, a card for the official fan club of the Ladies Professional Golfers' Association (LPGA) , in partnership with the LPGA.
- ◆ September–October: Commenced an alliance with Akita Bank in the credit guarantee business.
There was a total of 164 business partners as of the end of FY2007, and the credit guarantee balance was above ¥150 billion.

October–March

- ◎ October: Qubitous Co., Ltd. was established as a wholly-owned subsidiary of UC Card Co., Ltd. The company became a Credit Saison subsidiary in April 2008 (Credit Saison 51%, Mizuho Bank 49%).
- ◆ October: Combined the 《 SAISON 》 and UC points—UC points became SAISON Permanent Points.
- ◆ October: Began offering Eikyu Fumetsu.com services to UC cardholders.
- ◆ October: Began accepting applications for the YM 《 SAISON 》 Card.
- ◆ October: Issued the first SAISON NEXT Cards (the successor cards to postal cards).
- ◆ November: The new American Express® cards were issues (WHITE & GOLD).
- ◎ November: Saison Fundex lowered interest rates for all cash advances and loans to 18% or less.
- ◆ December: The second enforcement of Money Lending Business Control and Regulation Law took effect (December 19).
- ◎ January: SAISON Asset Management’s SAISON Vanguard Global Balance Fund, won the highest 2007 Nikkei Superior Products & Services Award in the financial services category.
- ◆ February: Launched credit card settlement of National Pension Plan premiums.
- ◆ March: Acquisition and redemption of shares of VISA Inc. in connection with listing on the NYSE.

Shift to “Quantity + Quality” in Keeping with Emphasis on Efficiency

① Focus on highly profitable cards, emphasis on operating efficiency

- FY2007: Closed 2 branch offices, 12 satellite offices and 29 card counters.
- FY2008: 22 card counters to be closed (remaining at end of 1st term: 11 branch offices and 131 counters).
- Newly developed cards: From peak of 4.2 million cards to 2.5 million cards in FY2008.

② Cancellation of contract / alteration of conditions on non-profitable affinity cards with low usage and operating ratios

③ Established Internet Branch with goal of expanding Web-based activities and boosting efficiency of online card applications

- No. of online applications in FY2007: **200,000** (up 37% YoY) * 5.9% of total new applications.
- FY2007 operating ratio: Annual operating ratio of online applicants : **72%** (average: 51%)
Annual unit cost of shopping: **¥320,000** (Average. ¥260,000)

◆ Results of cost-cutting resulting from sales network restructuring

⇒ FY2007 effect: **¥600 million**; From FY2008 onward: **About ¥1 billion annually**

◆ Benefits on operating ratio (Initial operating ratio = ratio of operation 3 months after launch)

⇒ Initial operating ratio: **46.6%** (up 8.7% YoY) * FY2007 results

Radically improved services through Web utilization

— SAISON Permanent Points can now be multiplied by up to 19 times at any time —

- **No. of affiliated stores:** 260 (of which 30 are mobile shops)
- **Usage rate:** No. of users: 200,000 a month
(Results as of April 2008) Total sales: About ¥1,500 million/month
- **New developments:** Content downloads, auctions, research
- **Increase in Net members** SAISON: 1.7 million UC: 0.9 million
(As of May 10, 2008) Target for Net membership at end of FY2008: 5 million

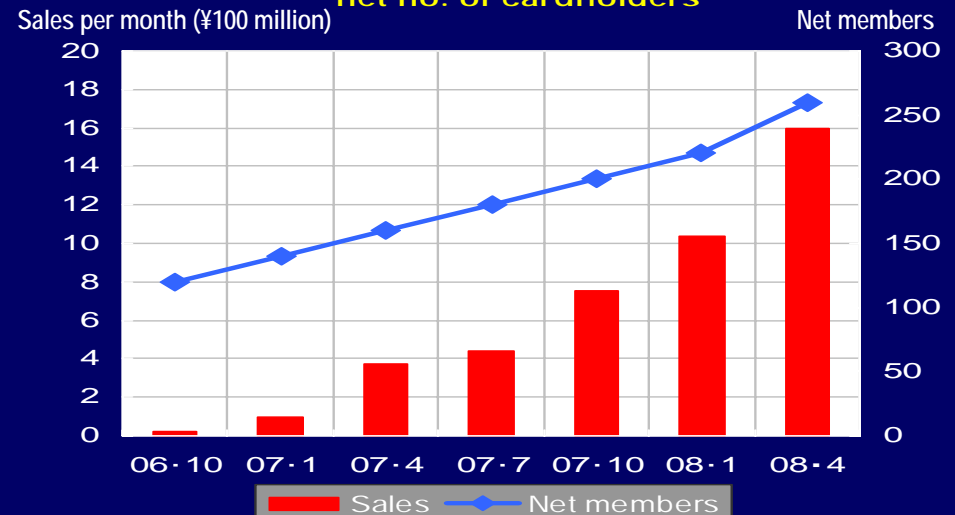
FY2008 targets

Sales: ¥36 billion
Income: ¥1 billion

FY2010 targets

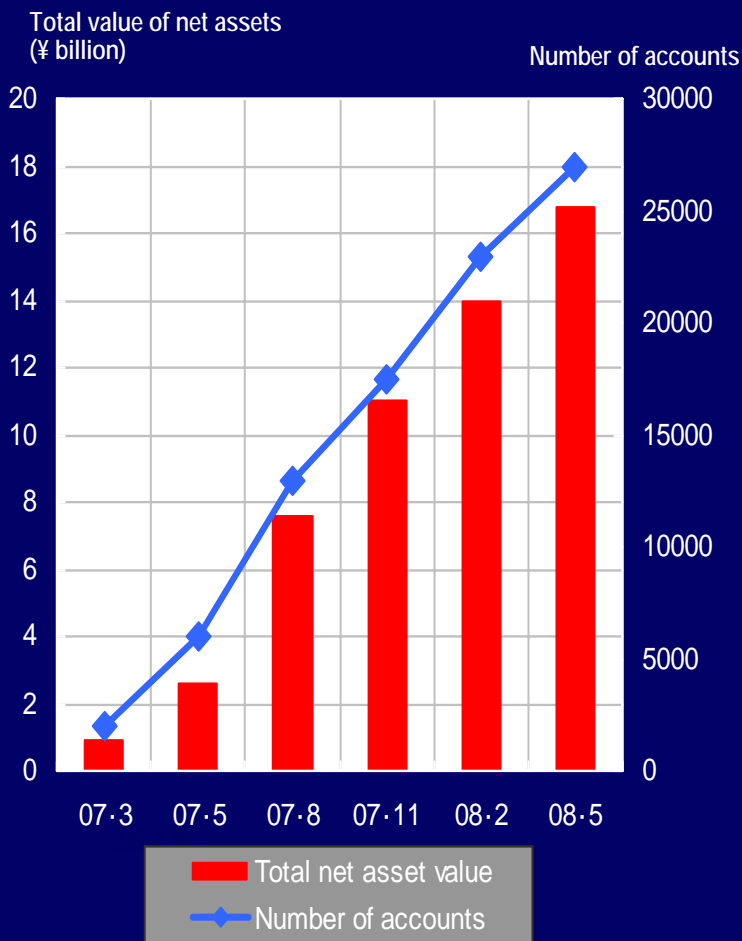
Sales: ¥200 billion
Income: ¥6 billion

Trend in sales of Eikyu Fumetsu.com and net no. of cardholders



- ◇ **Launch of sales: March 15, 2007**
- ◇ **Registered accounts: 27,000**
- ◇ **Total net assets: more than ¥16.0 billion**

Total value of net assets and number of accounts



- * In January 2008, the Saison Vanguard Global Balance Fund won the top prize in the Nihon Keizai Shimbun's **“Nikkei Superior Products & Services Award”** category. This testifies to the high reputation it has gained among many investors.
- * Despite the prolonged slump in the stock market, the total assets of Saison Asset Management Co., Ltd. have been increasing. This is because **about 65% of the customers use investment trust savings**. In particular, **more than 70% of the users are in their thirties or younger and thus belong to the asset-forming segment**. In addition, one distinctive characteristic is that their **surrender ratio is very low**.

Fund information: (as of May 19, 2008)

Saison Vanguard Global Balance Fund

Standard price: ¥9,798

Net asset value: ¥14,765 million

Saison Asset Formation Achiever Fund

Standard price: ¥8,517

Net asset value: ¥2,105 million

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

Operating Results

(¥ billion)

		FY2006	YoY (%)	FY2007	YoY (%)	FY2008 (Estimate)	YoY (%)
Consolidated	Operating revenues	333.6	121.5	345.5	103.6	363.0	105.0
	Ordinary income	80.1	112.7	58.1	72.5	62.0	106.7
	Net income	14.8	35.1	26.7	180.5	27.0	100.9
	Earnings per share (¥)	82.79	34.9	148.78	179.7	150.00	100.8

Non-consolidated	Operating revenues	270.2	124.9	277.7	102.8	278.0	100.1
	Ordinary income	56.6	111.6	36.5	64.6	38.0	103.9
	Net income	10.2	37.7	24.5	240.5	22.0	89.5

Results by Business Segment

(¥ billion)

	Operating revenues			Operating income (loss)		
	FY2006	FY2007	YoY (%)	FY2006	FY2007	YoY (%)
Credit Service	255.7	254.7	△0.4%	50.5	30.5	△39.5%
Finance	37.3	44.3	18.8%	11.9	11.2	△6.0%
Real Estate-related	27.8	37.9	36.4%	15.3	22.7	47.9%
Entertainment	16.9	14.3	△14.9%	2.0	△3.0	—
Others	1.3	1.9	51.5%	0.6	1.3	100.1%
Total	339.1	353.4	4.2%	80.6	62.9	△22.0%
Inter-segment Transactions	(5.4)	(7.8)	—	(5.4)	(5.7)	—
Consolidated	333.6	345.5	3.6%	75.2	57.1	△23.9%

Contribution to Consolidated Results

Ordinary income: Difference between consolidated and non-consolidated figures

	Non-consolidated	Consolidated	Difference
Ordinary income	¥36.5 billion	¥58.1 billion	¥21.5 billion

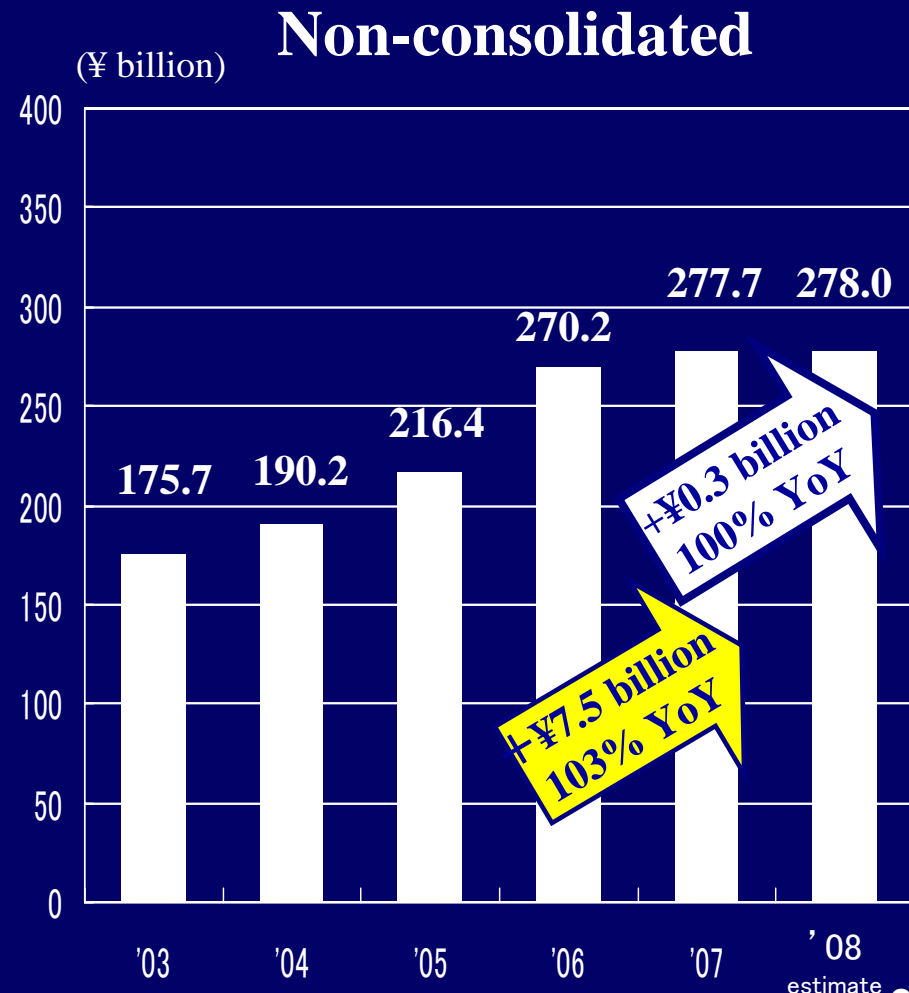
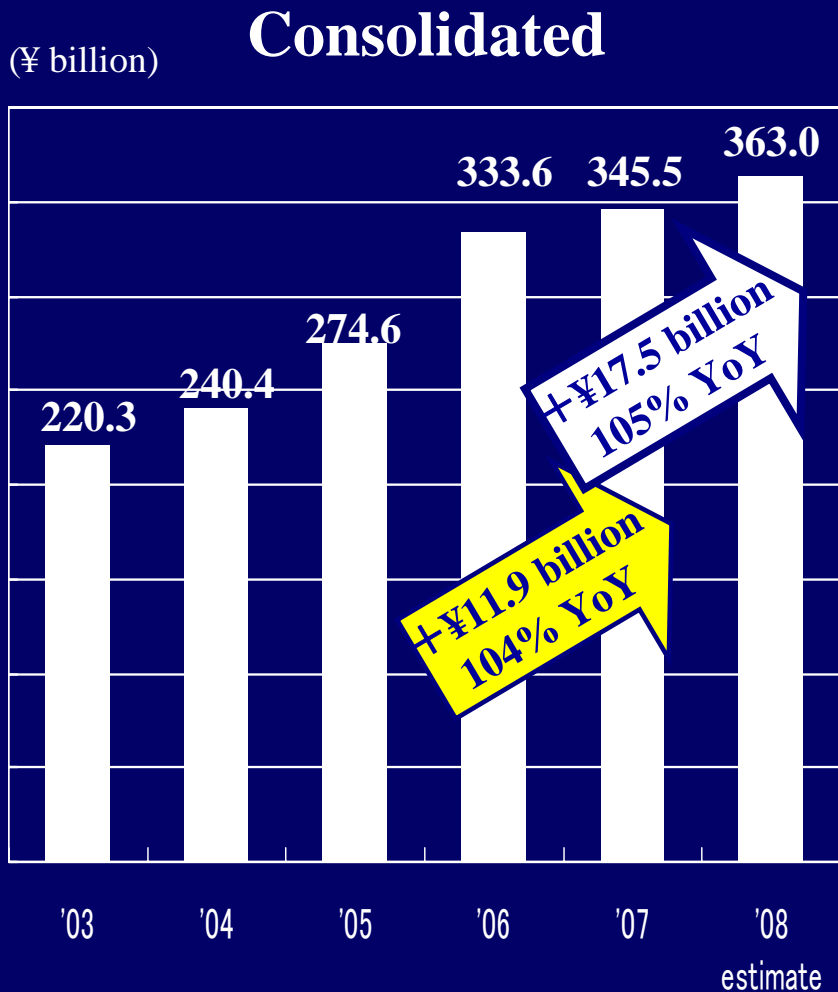
Contribution to consolidated results

Major consolidated subsidiaries	Contribution to ordinary income
Atrium Group ▪ Atrium Co., Ltd. (real estate loan guarantees, liquidation of real estate, strategic investment business) ▪ Atrium Servicing Co., Ltd. (servicing business) ▪ AIC (liquidation of real estate) ▪ AR Hotels Ginza (liquidation of real estate)	¥19.4 billion
Saison Fundex Group ▪ Saison Fundex Corp. (loans) ▪ House Planning Co., Ltd. (real estate)	¥3.1 billion
JPN COLLECTION SERVICE Co., Ltd. (servicing business)	¥1.4 billion
Vivre Group ▪ Vivre Co., Ltd. (entertainment business) ▪ A&A Co., Ltd. (entertainment business)	△¥3.7 billion

Major equity-method affiliates	Contribution to ordinary income
Saison Automobile and Fire Insurance Co., Ltd. (non-life insurance)	¥0.47 billion
UC CARD (information processing)	¥0.47 billion
Saison Information Systems Co., Ltd. (information processing)	¥0.38 billion
Idemitsu Credit Co., Ltd. (credit card business)	¥0.36 billion

Operating Revenues (Consolidated/Non-consolidated)

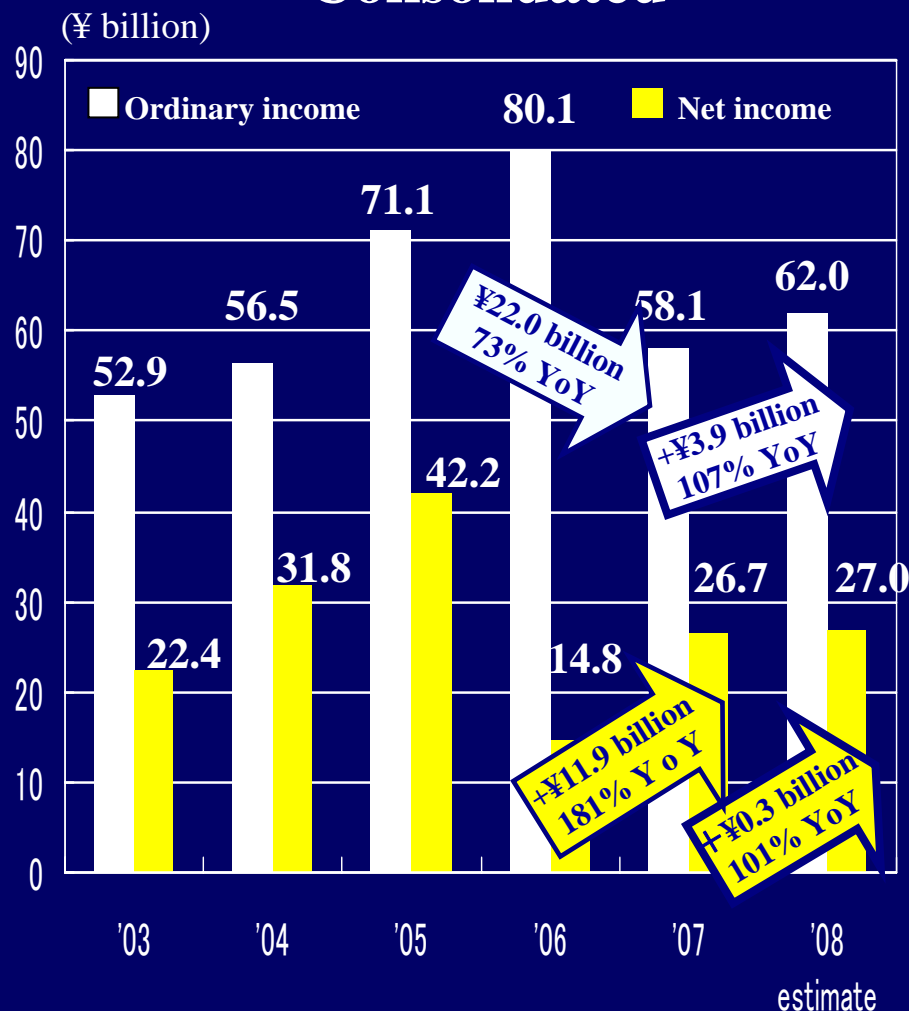
Operating revenues of the finance business and the real estate-related business were sharply higher despite lower interest rates on cash advances.



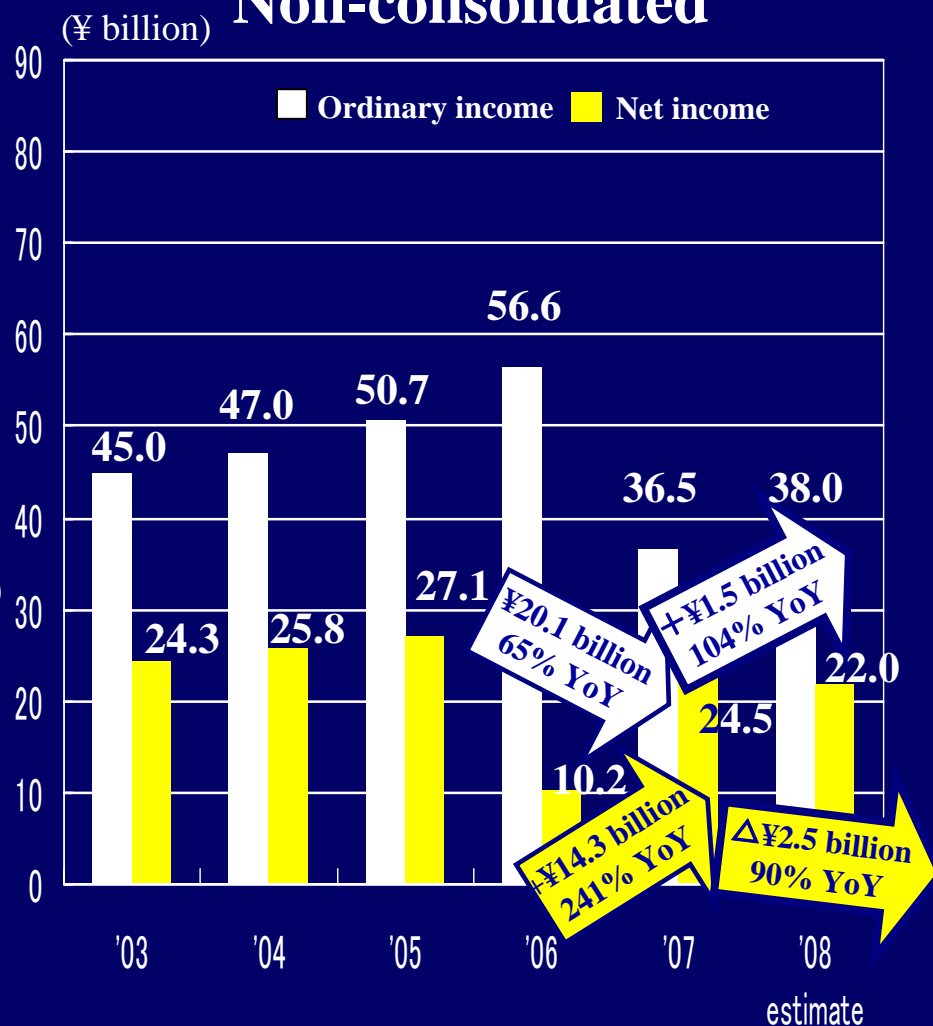
Ordinary Income/Net Income (Consolidated/Non-consolidated)

Ordinary income and net income are expected to increase in FY2008, despite the influence of lower interest rates on cash advances.

Consolidated



Non-consolidated



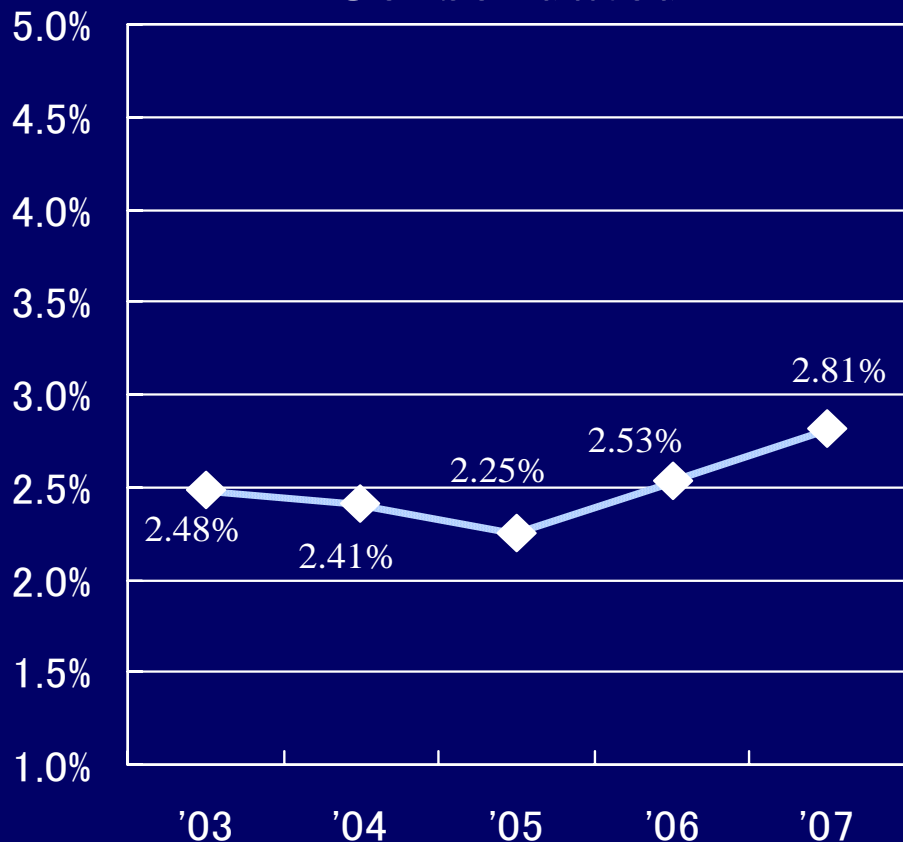
Credit Risk Trends ①

Delinquency rate is at a high level due to an increase in credit handling by lawyers and other parties.

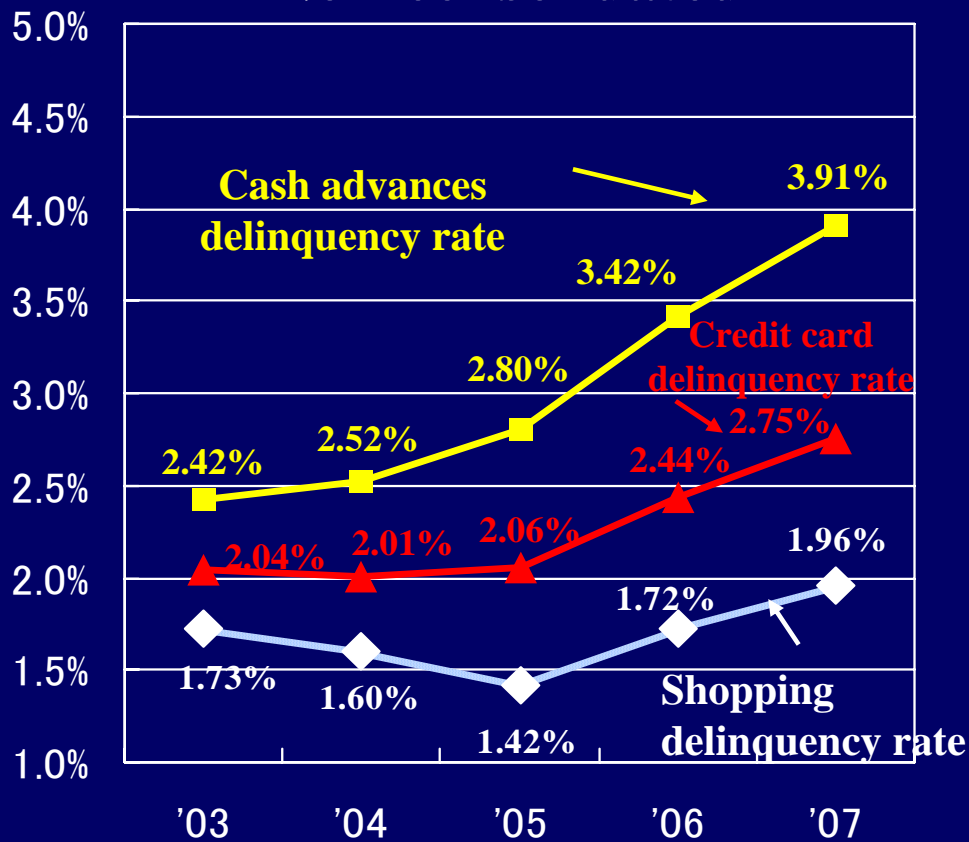
■ Delinquency of 90 days or more Consolidated

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

Consolidated



Non-consolidated



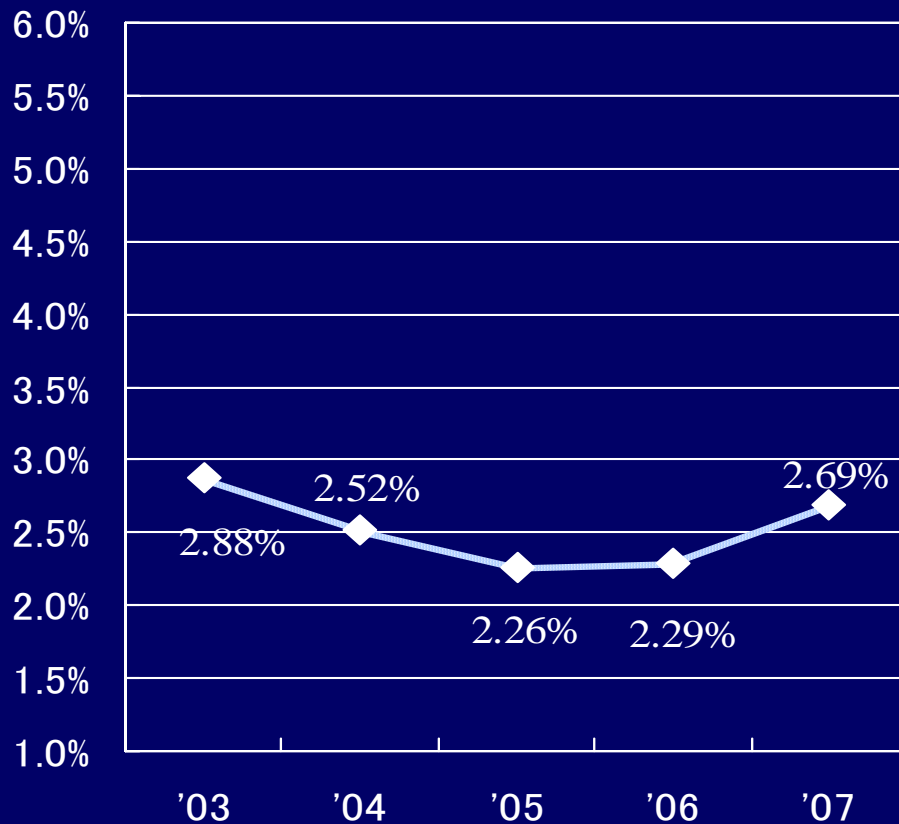
Credit Risk Trends ②

The write-off rate is increasing due to an increase in interest repayment claims.

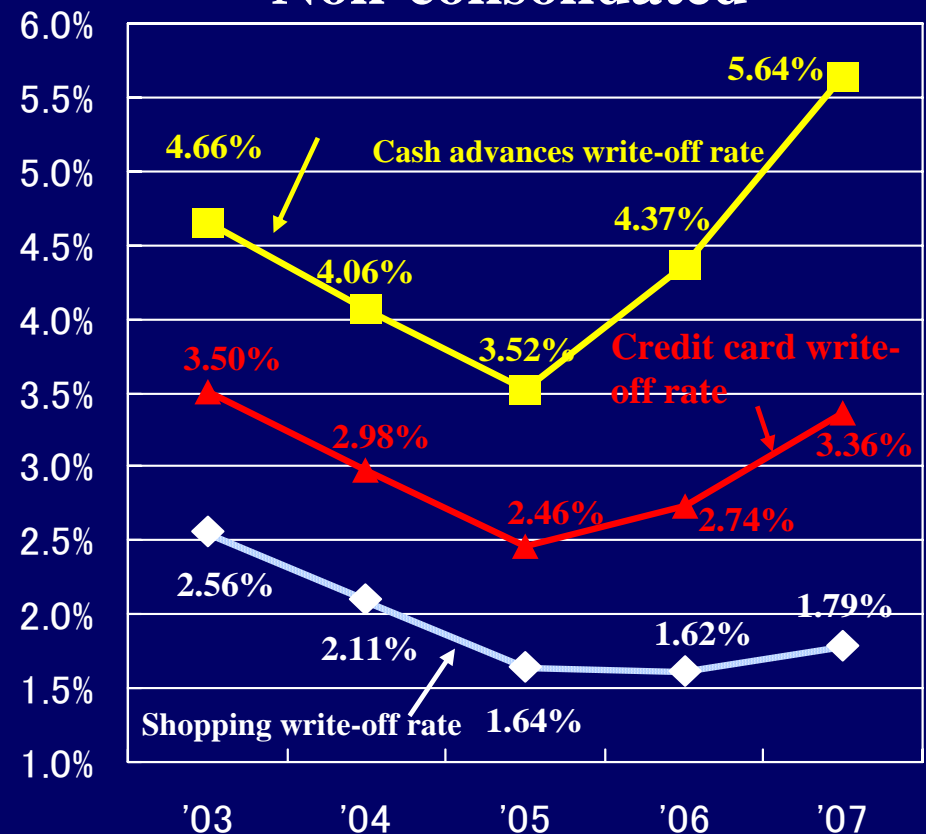
Write-off trends

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

Consolidated



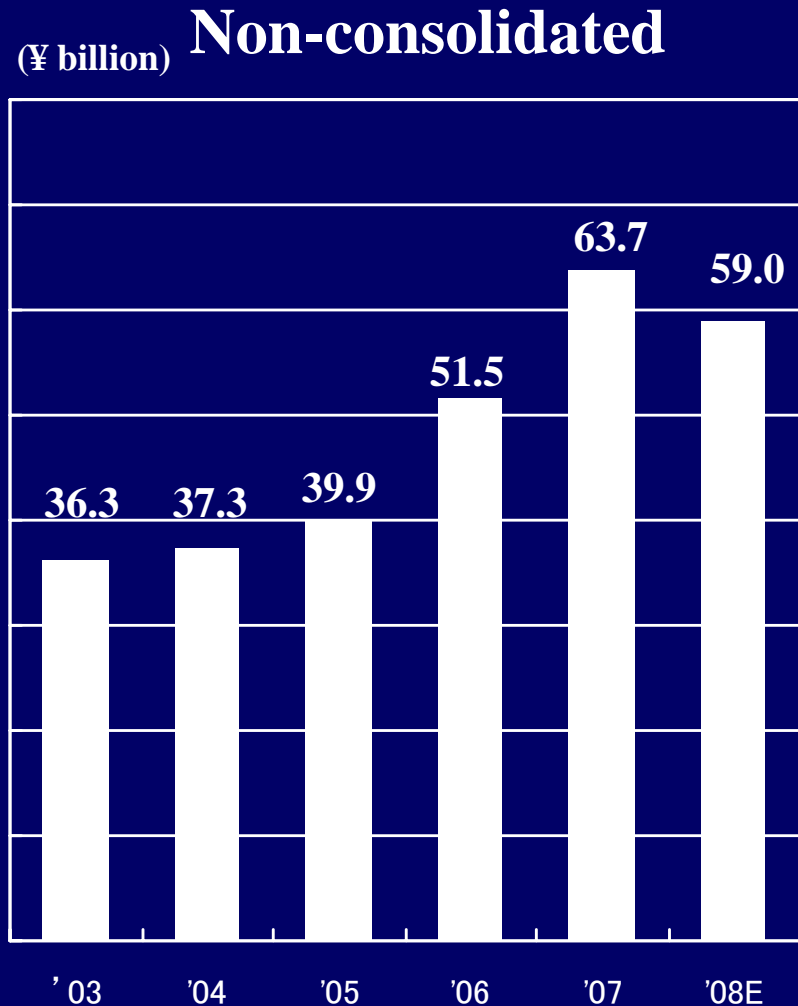
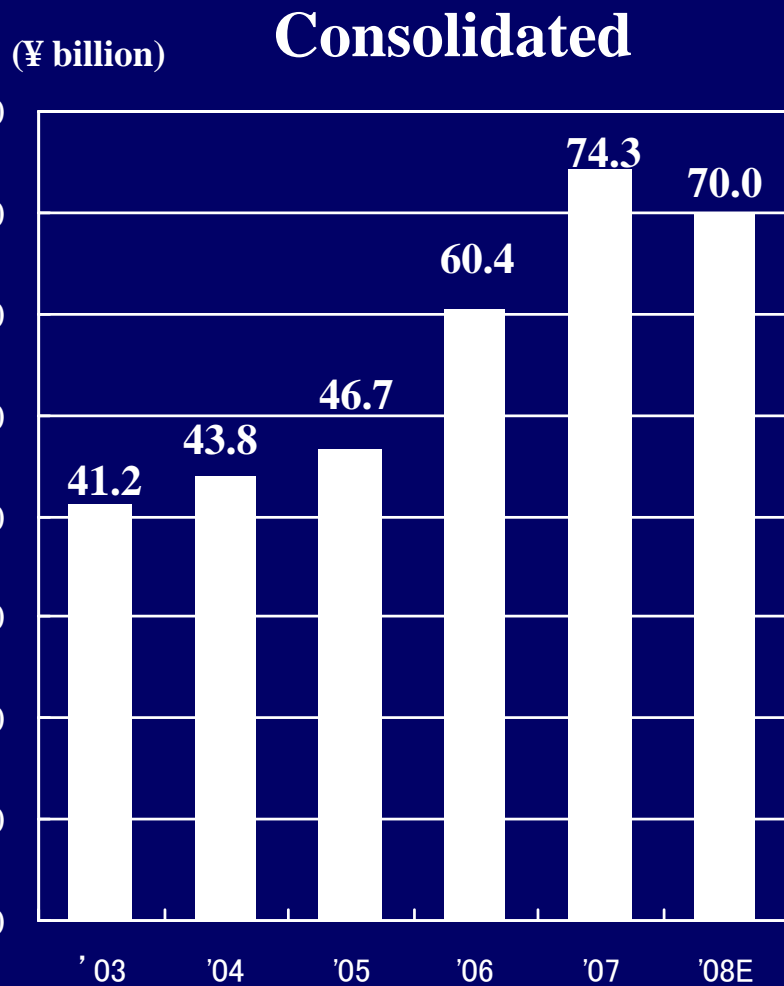
Non-consolidated



Credit Risk Trends ③

Credit costs increased to meet the increase in interest repayment claims.

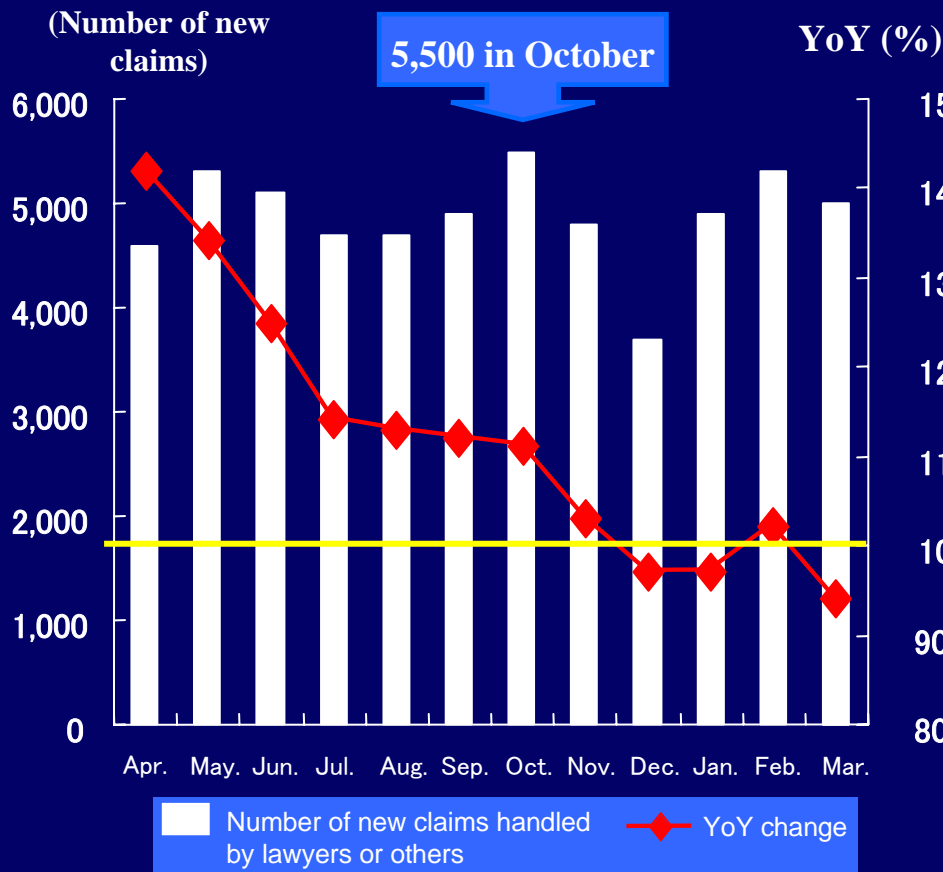
■ Credit cost trends



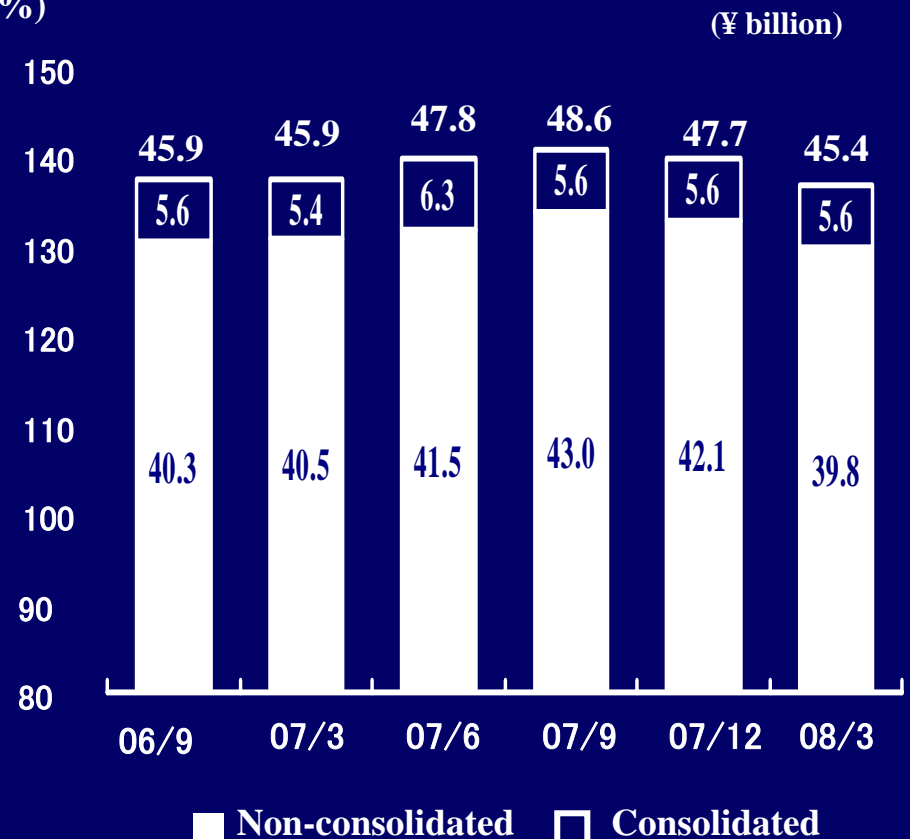
Trends in Losses on Interest Repayment

The number of new interest repayment claims is decreasing year on year due to the intervention of lawyers and others. Allowances are also decreasing.

■ Trend in new interest repayment claims



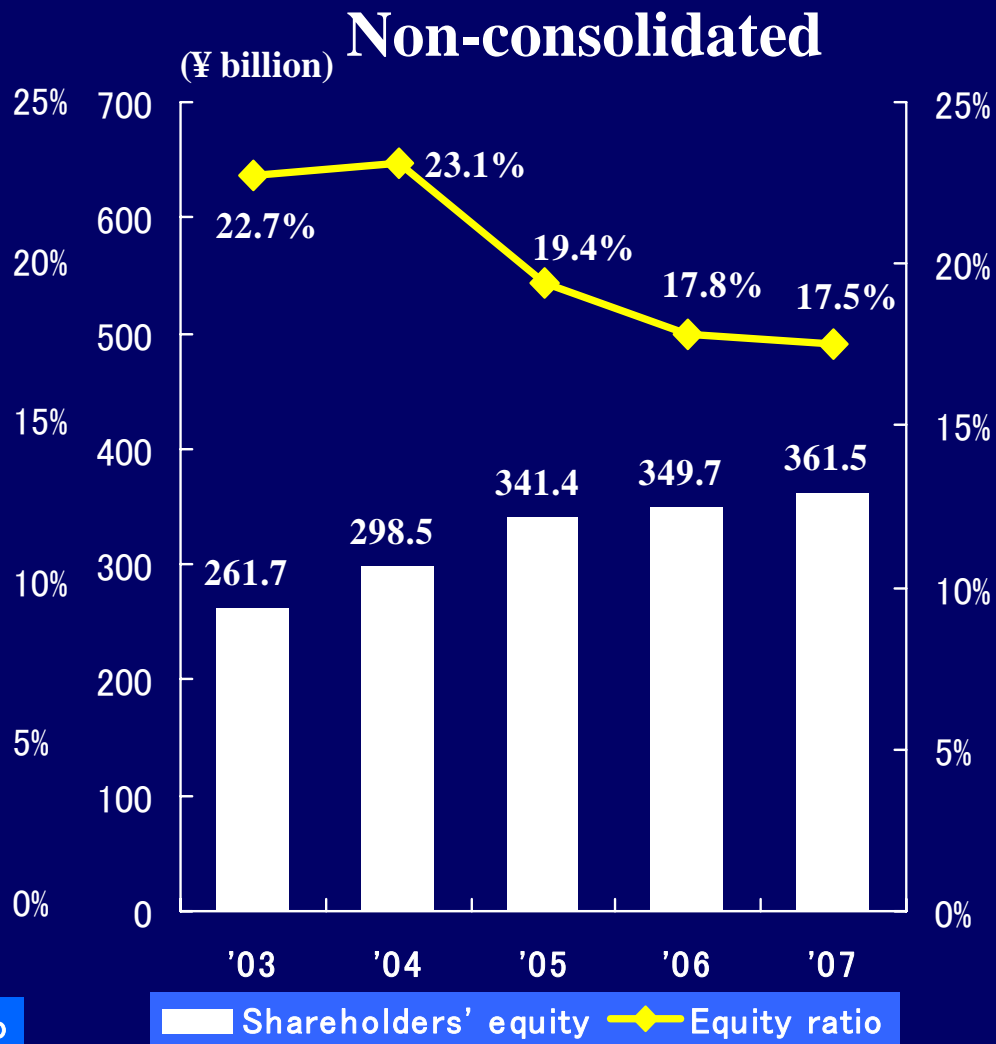
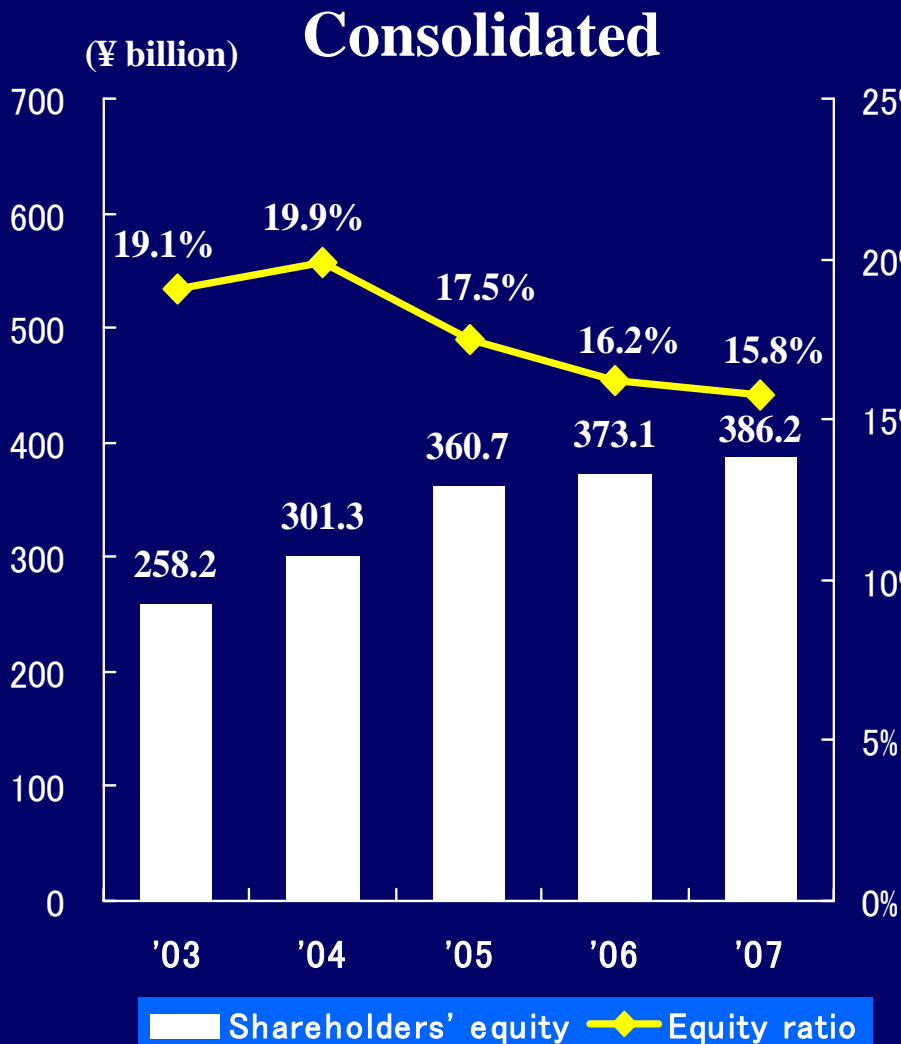
■ Allowance of interest repayment loss



Financial Indices

Shareholders' equity ratio trends

Rating
R&I A⁺ S&P A⁻ Fitch A



Equity Efficiency

ROA/ROE trends

Earning power was decreased due to a sudden reduction in the interest rate on cash advances. However, Credit Saison aims to renew earnings growth through diversification and business restructuring.

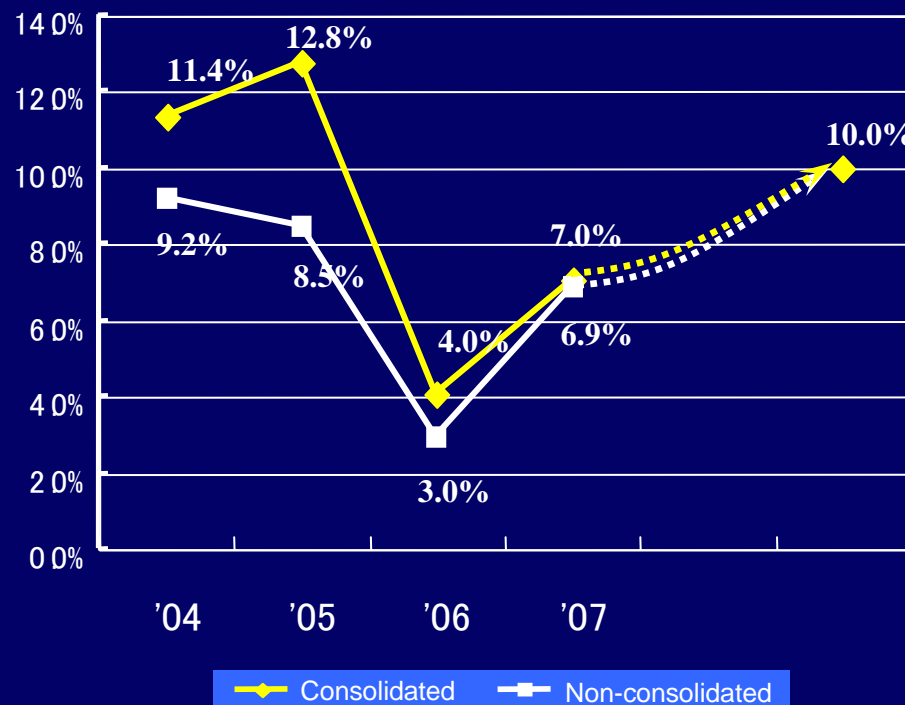
ROA* (ordinary income basis)

Medium-term target: 3 to 3.5%



ROE

Medium-term target: 10%

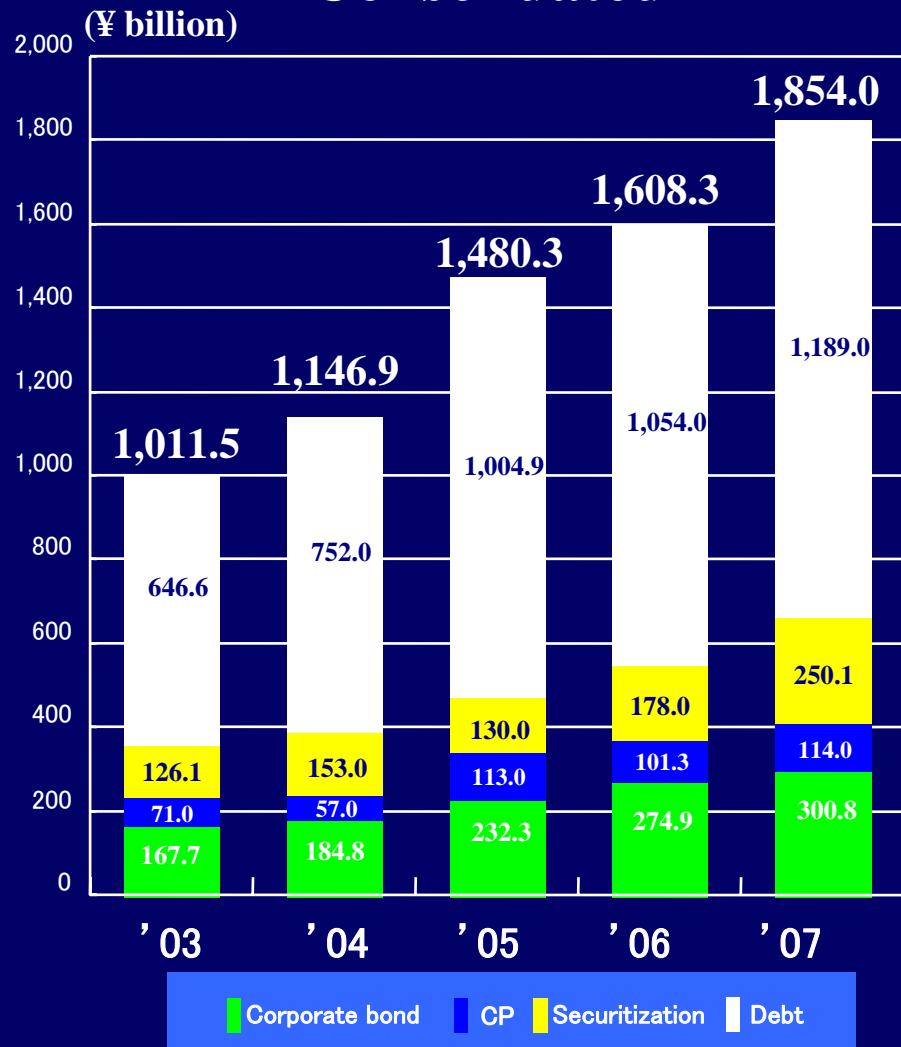


*Total assets include liquidated off-balanced assets.

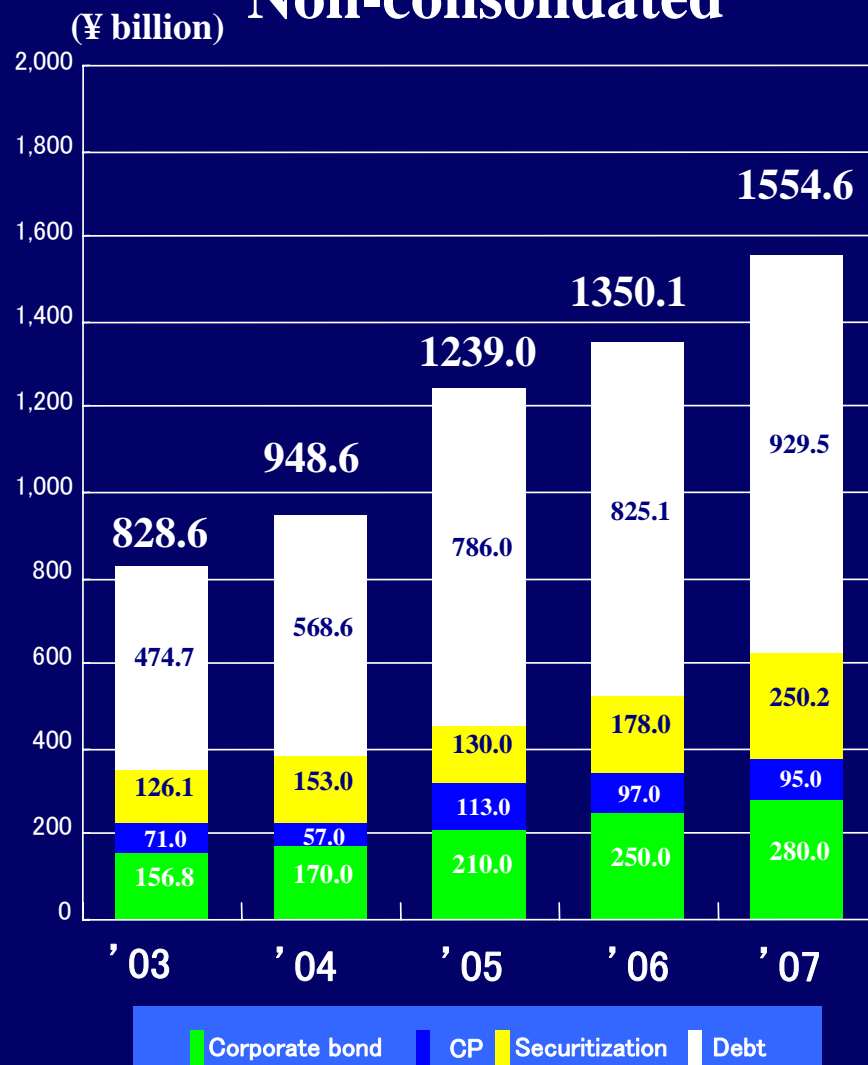
Fund Structure

Interest-bearing debt trends

Consolidated



Non-consolidated

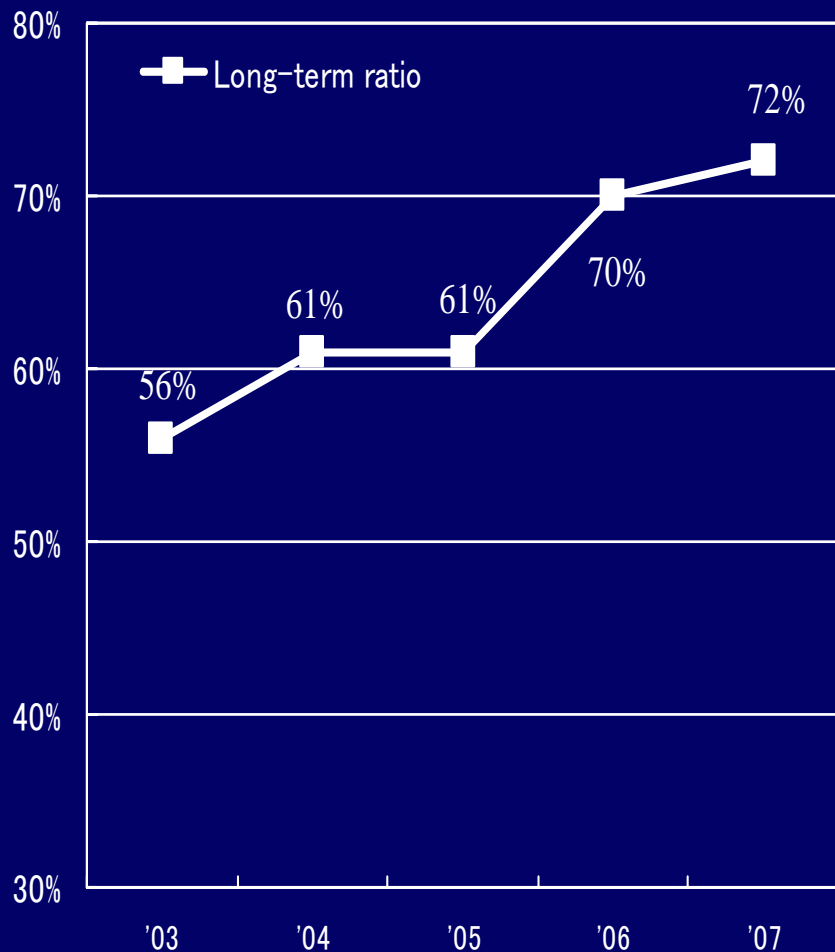


Fund Structure

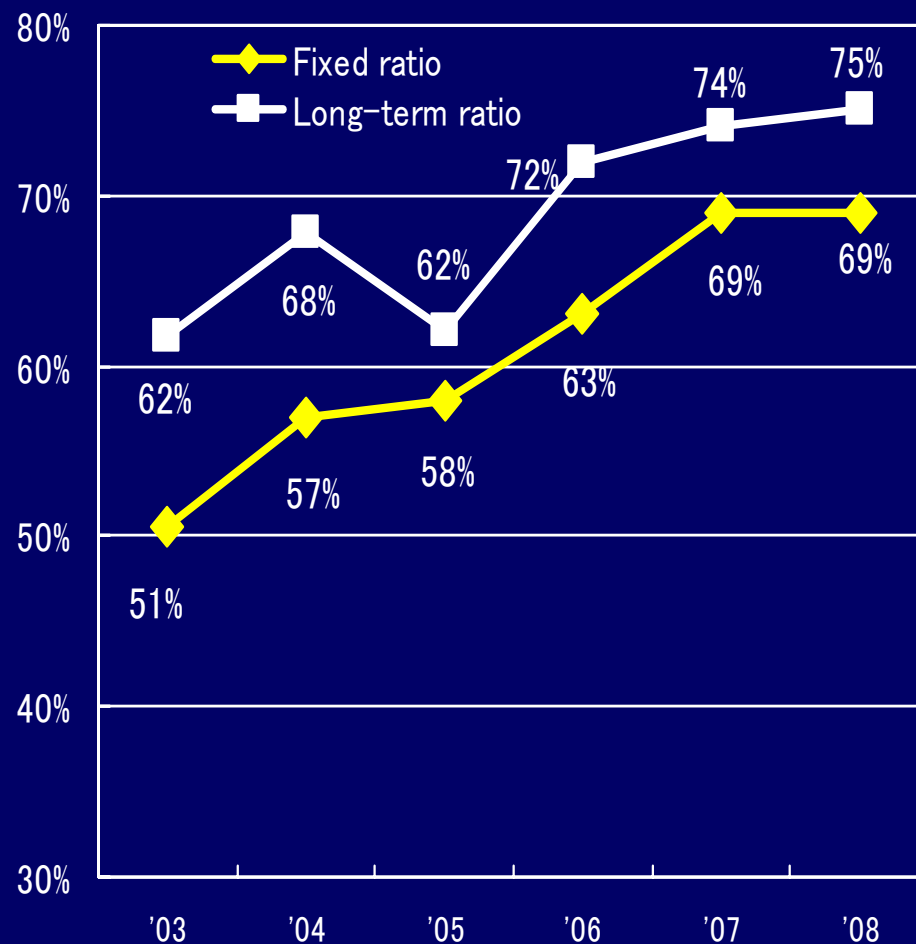
■ Long-term ratio & fixed ratio

Balance of corporate bonds and long-term debt: ¥906.2 billion. Average due date is approximately five years.

Consolidated



Non-consolidated



Dividends

Dividends

	FY2006	FY2007	FY2008 (Estimate)
Dividend per share	¥28	¥28	¥30
Total cash dividend	¥5.0 billion	¥5.0 billion	¥5.4 billion
Payout ratio (consolidated)	33.8%	18.8%	20.0%



Credit Saison
Main Indicators
(Non-consolidated)

Main Indicators (Non-consolidated)

	FY2006		FY2007		FY2008	
		YoY (%)		YoY (%)	(Estimate)	YoY (%)
New applications (millions)	4.28	132.9	3.38	79.0	2.5	74.0
New card issued (millions)	3.6	132.8	2.84	78.9	2.1	73.9
Total cardholders (millions)	24.91	109.3 (+2,120 thousand)	26.01	104.4 (+1,100 thousand)	26.8	103.0 (+790 thousand)
Active cardholders (millions)	12.49	106.9 (+810 thousand)	13.22	105.8 (+730 thousand)	14.0	105.9 (+780 thousand)
Transaction volume (¥ billion)	4,305.4	136.8	4,595.1	106.4	4,976.0	108.3
Card shopping	3,433.8	135.8	3,758.5	109.5	4,133.0	110.0
Cash advances	871.5	140.8	836.6	96.0	843.0	100.8

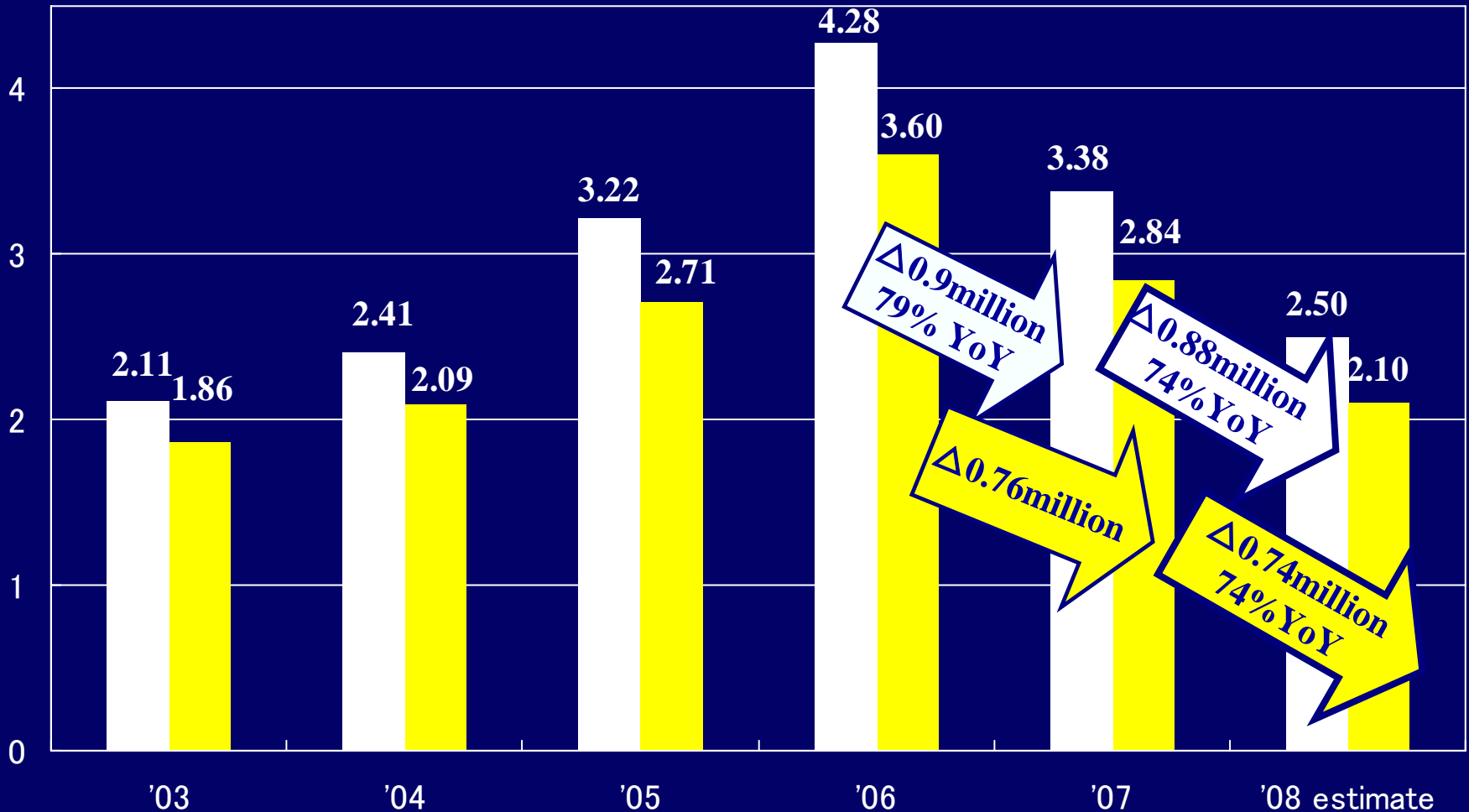
Figures in parentheses are year-on-year comparisons.

① New Card Applications & ② New Cards Issued

Emphasis on new applications for cards for high-frequency users.

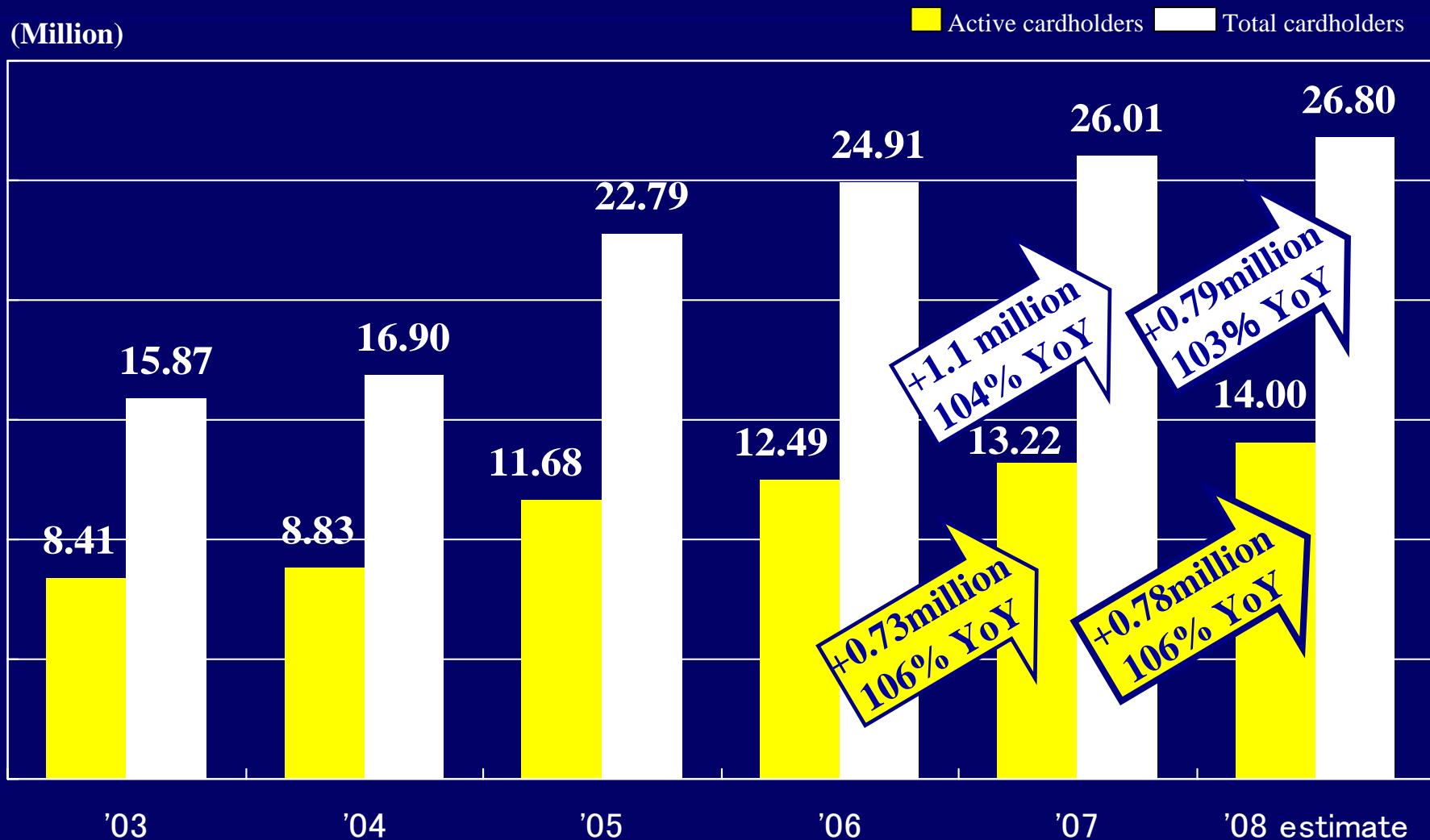
(Million)

■ New applications ■ New cards issued



③ Total cardholders & ④ Active Cardholders

Increasing total cardholders and active cardholders through efficient marketing.

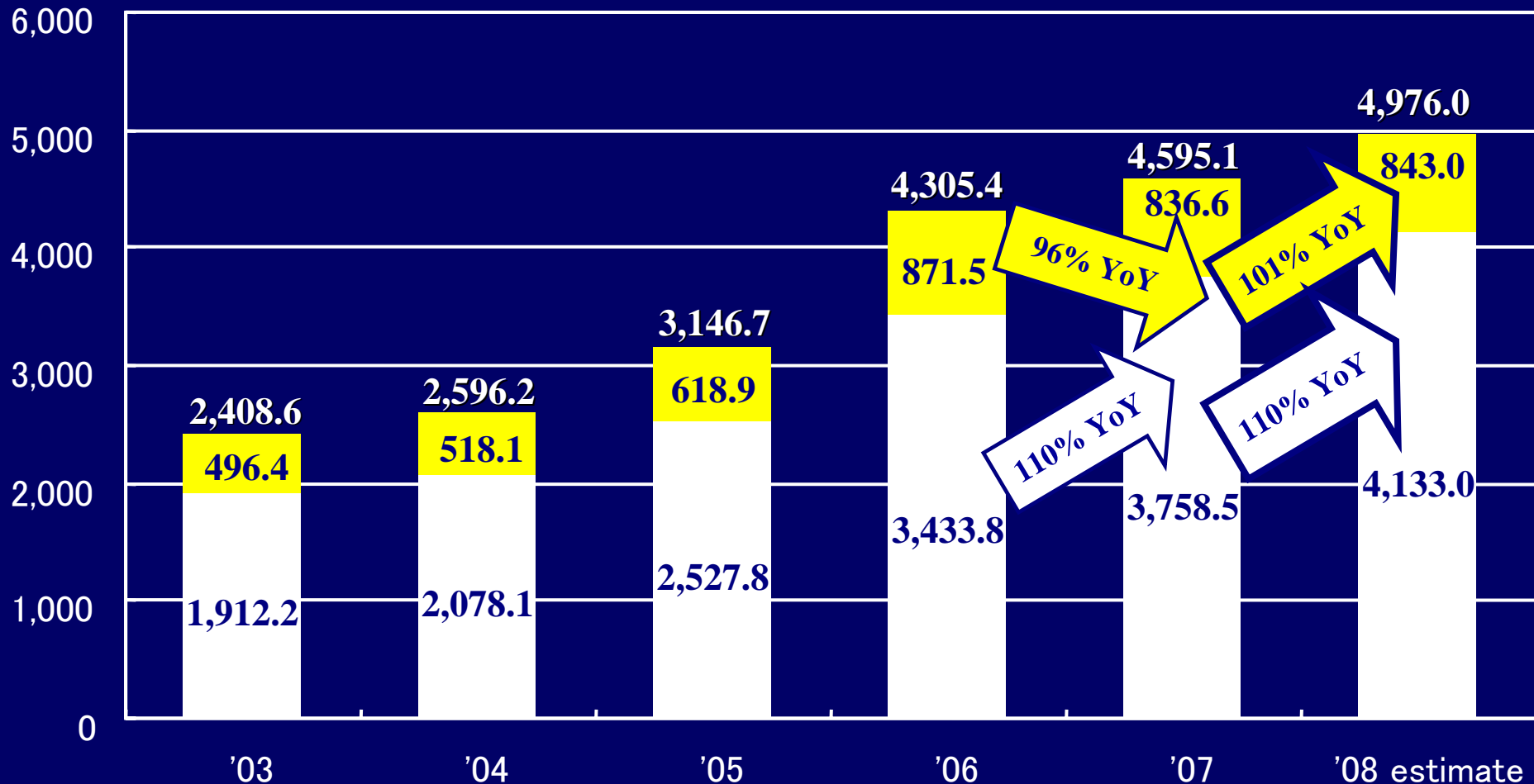


⑤ Transaction Volume

Shopping: >10% and growth recovery in cash advances

(¥ billion)

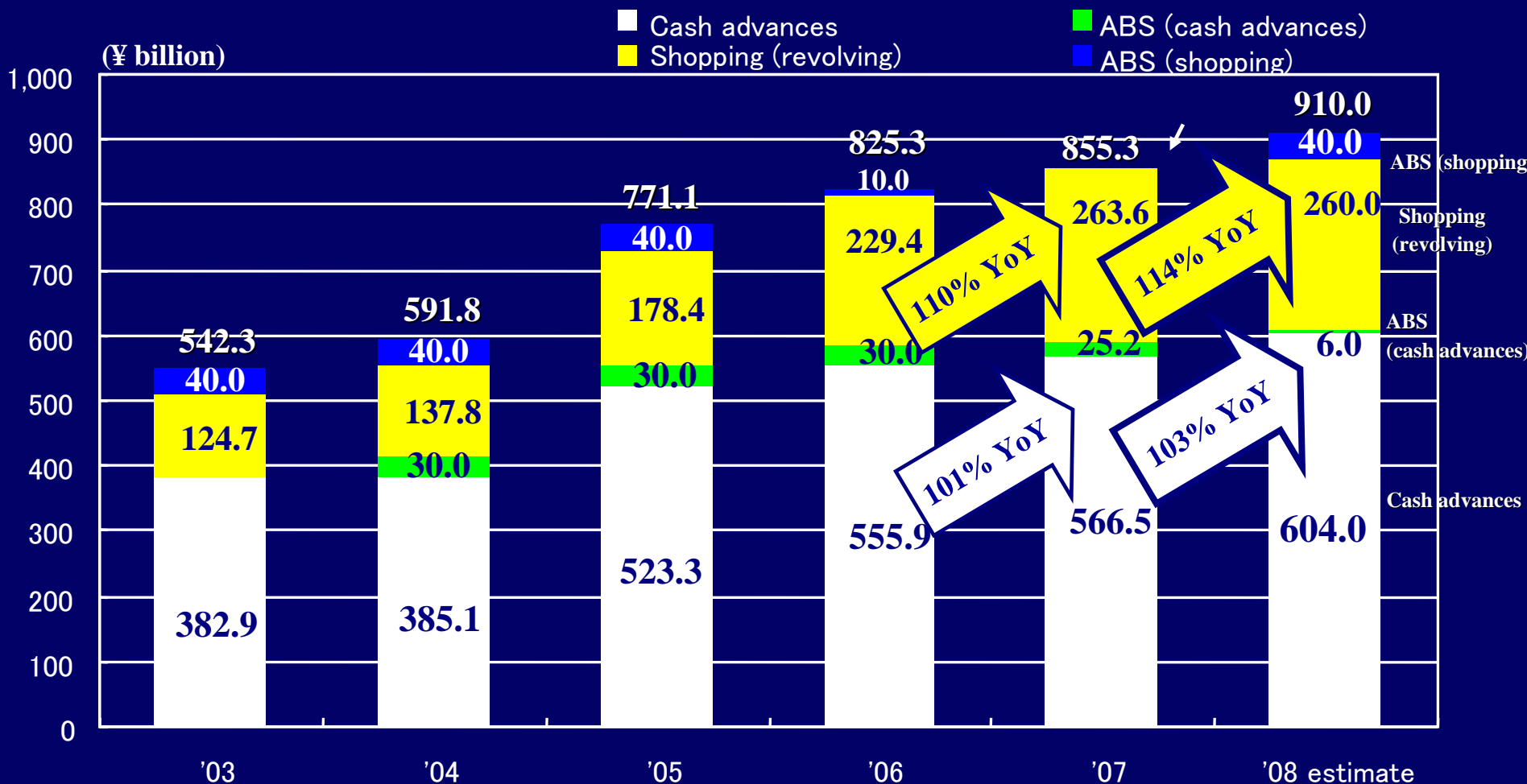
■ Card shopping ■ Cash advances



⑥ Credit Loans Outstanding

Shopping (revolving): Projected 14% increase

Cash advances: 3% increase accumulating on good credit

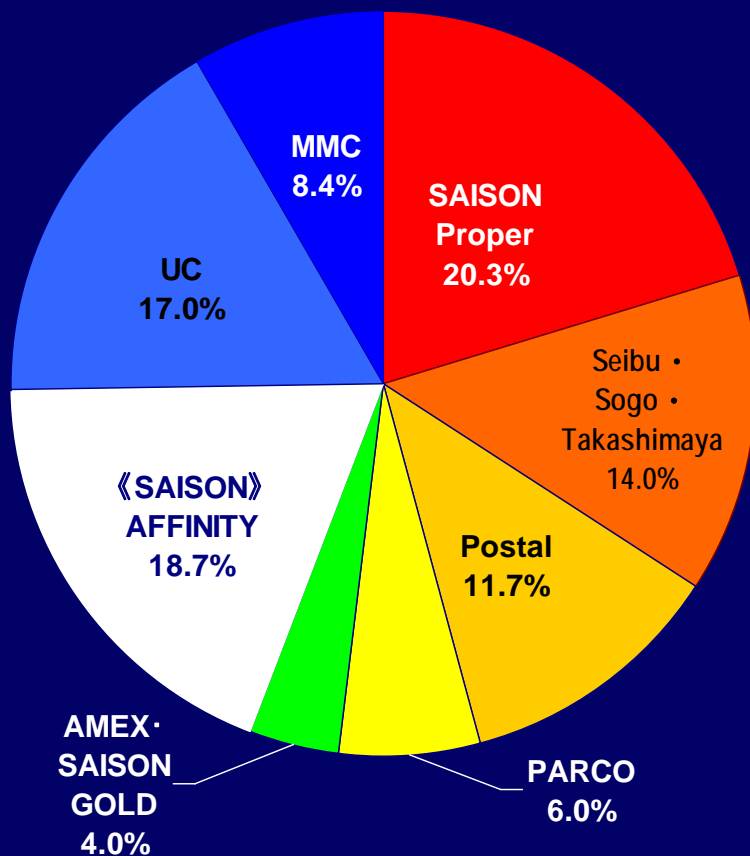


(Reference ①) Share of Cards

Fee-charging premium cards have higher transaction.
Postal cards were converted to SAISON NEXT cards
with hardly any effect on transaction volume.

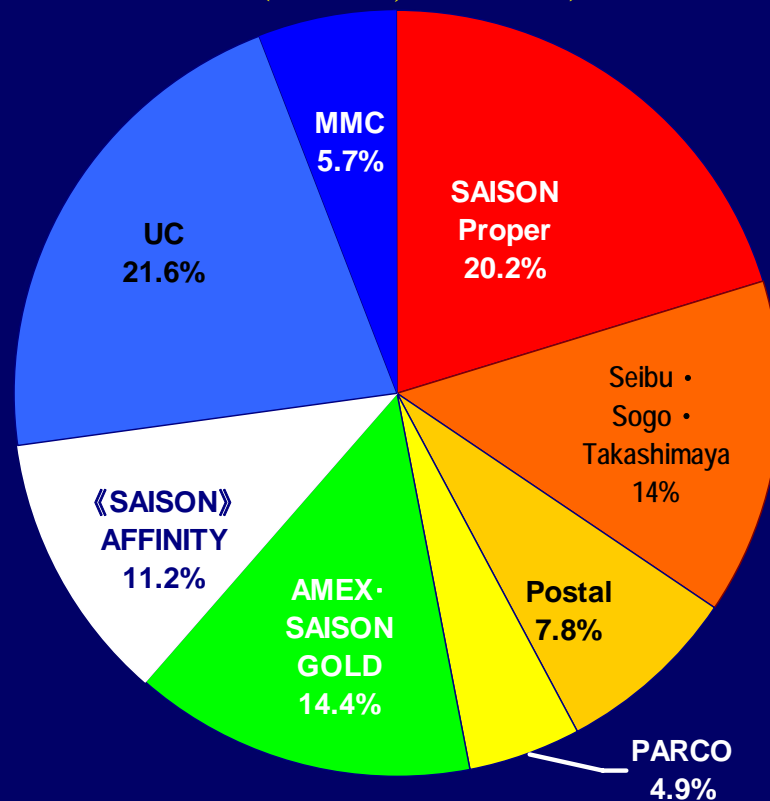
【Share of total cardholders】

(Total: 26,010,000)



【Share of shopping transaction volume】

(Total: ¥3,708.7 billion)



* SAISON GOLD includes Affinity GOLD.



Management Strategy

FY2008 Management Policy

**Medium-term Target:
Creation of a Non-bank Financial Institution
with a Powerful Market Presence**



Management Strategy

- I. Changes in the Business Environment and Their Impact on the Company**
- II. Management Vision Based on Analysis of the Business Environment**
- III. Steps to Achieving the Medium-term Targets**
- IV. FY2007 Priority Policies**
- V. Reference Materials**

I. Changes in the Business Environment and Their Impact on the Company

(1) Slowdown caused by stricter laws and regulations, including the revision of the Money Lending Business Control and Regulation Law

- A series of laws and regulations, including the Money Lending Business Control and Regulation Law, the Building Standards Law, the Financial Products Transaction Law, the Installment Sales Law, and the Sex Industry Law, have obstructed structural reforms and the growth of business.
- The sales of card companies will be constrained by new regulations on total emissions.
- In our case, the impact will cause a drop of ¥25 billion per year in cash advances, with requests for returns leading to overpayments. It will have a negative effect on Group cards too.

(2) Economic slowdowns in Japan and overseas

- Low stock prices initially caused by the sub-prime problem, exchange instabilities and price inflation due to ongoing price rises in natural resources.
- A slowing tendency in Japanese economic growth, reflecting political uncertainty and a slump in the real estate market.
- Stagnant sales of expensive products and by department stores, which negatively affects the shopping activities of our cardholders.
- Stagnant consumption by the youth segment due to polarization of incomes and changing lifestyles.

(3) Reorganization of the non-bank industry and overseas strategy

- The large-scale reorganization of the card industry has generally finished, and small and medium M&A has increased.
- Companies are issuing cards overseas, mainly in Asia, and launching retail finance businesses.
- Always seeking to expand our business through M&A, we are looking at developing business in India and China.

(4) Progress toward a fully realized Internet society

- Driven by the Internet, development is passing from PCs to mobile phones, and from web portal and search engines to user-participation (Web 2.0).
- Internet-based recruitment of applicants and usage promotion is fully under way, led by Eikyū Fumetsu.com.

II. Management Vision Based on Analysis of the Business Environment

Achieving innovation in the face of the regulation-driven slump

(1) Establishment of the No. 1 credit card group

- Returning to the fundamentals of the card business, we are working to boost card profits through business alliances and practical use of area marketing techniques, both of which are Company strengths.
- In the area of card joint ventures, we are rebuilding optimal models with each business partner.
- We are fast-tracking Qubitous operations in an effort to improve the profitability of the card business.

(2) Undertaking the challenge of creating non-bank business beyond the credit card business

- Broadening the scope of the financing business.
- Taking advantage of capital alliances, M&A, the establishment of new companies and other techniques.
- Development of asset formation and asset management markets.

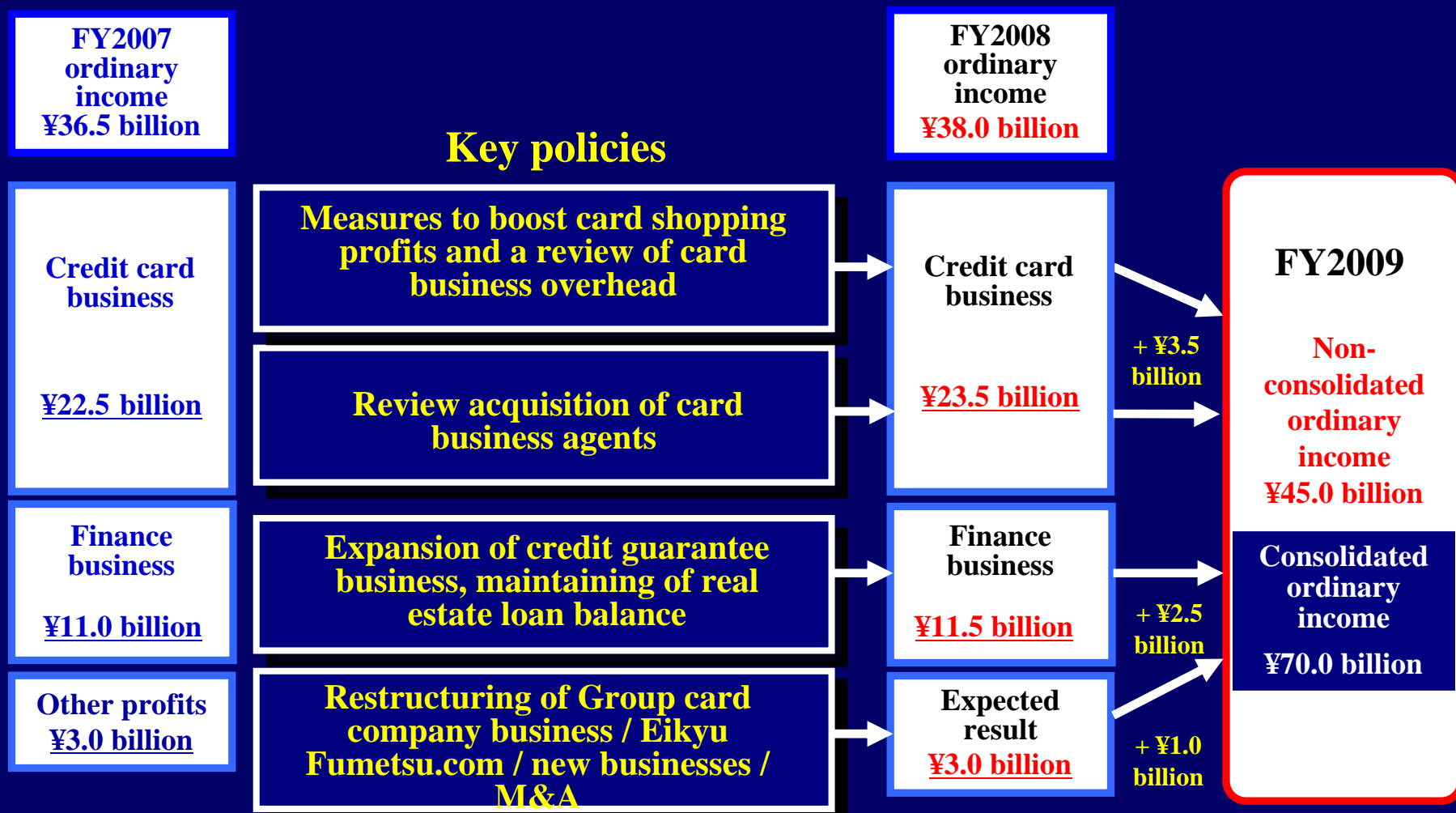
(3) Practical application of the Internet

- Enhancing the efficiency of all feasible business processes through practical application of the Internet.
- Target the industry's senior management by providing Internet-based services with Eikyu Fumetsu.com as the core.

(4) CREDIT SAISON Group management and HR training

III. Steps to Achieving the Medium-term Targets

The structural business reform undertaken since FY2007 is moving steadily ahead toward the goals set out in the medium-term business plan, with focus on cost reduction and profit-maximizing policies.





IV. FY2008 Priority Policies

- 1. Expand the profitability of the card business**
Utilizing business alliances and area marketing techniques
- 2. Commence operation of Qubitous, specialized processing company**
- 3. Ensure continued growth of card joint ventures**
- 4. Aggressively develop the finance business**
- 5. Implement measures to ensure sound loans**
- 6. Take on new business challenges**
- 7. Strengthen Credit Saison Group Management**
- 8. Implement a flexible HR Strategy**

1. Expanding the Profitability of the Card Business

Utilizing business alliances and area marketing techniques

① Policies to expand shopping (revolving) balance

- Highlight the benefits of a shopping (revolving) balance by approaching large business partners (Millennium Gr., Takashimaya, Parco, Yamada Denki, Mitsui Outlet Park).
- Usage ratio of shopping (revolving) : 30% at shops , 40% change from monthly clearing,

FY2007 revolving balance ¥263.6 billion (up 10.4% YoY)

⇒ FY2008 year-end over ¥300.0 billion (up 13.8% YoY)

② Policies to expand cards with high operating ratios and unit prices

- Expansion of fee-based cards: Add Gold and Platinum functions to affinity cards.
- Use of AMEX cards (4 types): Supply cards matched to lifestyles.
- 70% of new ProPerson SAISON (no annual fee) change into AMEX brand (WHITE AMEX).
- Shift to online card applications via our newly founded Internet Branch Office.

FY2008: 330,000 online card applications (up 65% YoY)

Online card applicant share: 13% (up 7% YoY)

③ Policies to boost SAISON original affiliate stores

- Leading affiliate stores to be affiliated with “On-Us”.
⇒ Transaction volume of original affiliated stores ¥1,350.0 billion (up 13% YoY)

④ Three new affinity cards

- Issuance of affinity cards from the second half of the fiscal year to users related to manufacturing-related, large-scale retailing and financial institutions.

Additional functions / Internet use for cash advances / loans with affinity cards

- ① **Additional functions for MMC Card and Yamada LABI Card (3 million cardholders in total)**
 - Add single payment cash advance function (planned for 2nd half) ⇒ Increase of ¥12 billion
- ② **Increase online cash advances (improved leeway for borrowing/repayments)**
 - Changes to on-the-spot loans and cash advance units (planned for 2nd half) ⇒ Increase balance by ¥3 billion
- ③ **Improved convenience at ATMs**
 - Consideration of changing all terminals to ATMs, additional function enabling deposits to be made with a UC CARD.
 - Completion of deposit alliance with Mizuho Bank regarding 6,500 terminals.
- ④ **Expansion of card loans**
 - New transactions centered on SAISON Card Loans ⇒ 50,000 transactions (up 28% YoY)
- ⑤ **Additional balance of ¥30 billion through merger with LAWSON CS Card**

Balance of cash advances and card loans	FY2006 year-end balance ⇒	FY2007 year-end balance ⇒	Target for FY2008 year-end
	¥585.9 billion	¥591.9 billion	¥610.0 billion + LCS 30.0 billion
	(105.9% YoY)	(101.1% YoY)	(103.0% YoY)

2. Commencing Operations of Qubitous, Specialized Processing Company

Start-up of Japan's biggest processing company, paving the way to industry cost-leadership

① Qubitous become our consolidated subsidiary from April with 51% equity (Mizuho Bank: 49%)

- 3,000 employees (including 180 key system personnel)
- No. of clients besides SAISON and UC: 80 ^{*})

② Targets for three years	FY2008	FY2009	FY2010
Operating revenues:	¥29.5 billion	¥31.3 billion	¥33.3 billion
(external receipts)	(¥4.0 billion)	(¥6.0 billion)	(¥9.0 billion)

Productivity improvement: 2-5% 7-10% 15%

③ Construction of 2nd generation system

- Combined authorization system started March 2008
- The next-generation backbone system will be designed with Qubitous at its core (detailed system designs not yet decided, development feasibility studies not yet commenced)

* Examples of other clients:

Credit cards

- Orico Card
- Xebio Card
- Nissan Card
- View Suica Card
- Tobu Card, etc.

Debit cards

- E-Bank Money Card

Agent for B2B settlements

- Kao Corp.

Targeted productivity increase of our card business operations ⇒ 15% by FY2010

3. Ensuring Continued Growth of Card Joint Ventures

Eight joint ventures and companies invested in by Credit Saison.
Each company follows a growth strategy based on its own characteristics.

Takashimaya Credit

Investment: 33.4%
Cards issued:
1.26 million

★ Since 2007, our company has handled all cards issued by this company.

Idemitsu Credit

Investment: 50%
Cards issued:
2.63million

★ Robust transaction volume because of high-priced oil. The no. of members is as planned.

Risona Card

Investment: 22.4%
Cards issued:
2.58 million

★ More than 1 million cards have been subcontracted to our processing company.

LAWSON CS Card

Wholly owned subsidiary
Cards issued:
1.73 million

★ Aiming at improving shopping operating ratios under our company.

YM SAISON Card

Investment: 50%
Cards issued:
20 thousand

★ Cardholder numbers continue to grow smoothly thanks to steady continuation of card applications.

Shizuoka SAISON Card

Investment: 50%
Cards issued:
40 thousand

★ A plan for creating large alliances with leading regional corporations this term boosts growth in cardholders.

Daiwa House Financial

Investment: 40%
Cards issued:
900 thousand

★ Strong alliance with Yamato G's Home Centers. Increase in home renovation and other high-price items.

Yamada Financial

Investment: 34%
Cards issued:
830 thousand

★ Card development is robust, with 600,000 new cards this term. There is also a plan to strengthen cash advances.

FY2007 Results of Capital Alliances with Card Companies

(¥ billion)

	No. of cards issued	Total cardholders	Transaction volume	Operating revenues	Operating income
Credit Saison (non-consolidated)	3.38 million	26.01 million	45,951	2,777	365
LAWSON CS Card 30.0% (established Feb. 2002)	200 thousand	1.73 million	848	86	(0.2)
Idemitsu Credit 50.0% (investment date Oct. 2003)	430 thousand	2.63 million	6,144	205	29
Resona Card 22.4% (investment date Aug. 2004)	290 thousand	2.58 million	4,409	276	7
Takashimaya Credit 33.4% (investment date Aug. 2004)	200 thousand	1.26 million	3,927	136	11
Yamada Financial 34.0% (established Jun. 2006)	580 thousand	830 thousand	367	7	3
Total	4.5 million	34.21 million	61,279	3,487	415

Overview of each company's capital alliance card at FY2007 sales launch

Shizuoka Bank SAISON Card: Investment ratio: 50% No. of cards issued: 40,000

Daiwa House Financial: Investment ratio: 40% No. of cards issued: 90,000

YM SAISON Card: Investment ratio: 50% No. of cards issued: 20,000
(applications opened on October 22)

* The transaction volume is the total value of card shopping and card cash advances.

* The issuer of Yamada Financial's Yamada LABI Card is Credit Saison. Therefore, the total of Yamada's no. of cards issued, no. of cardholders and the value of its transaction volume is not included in its figures.

4. Aggressive Development of Finance Business

Ensuring stable profitability of non-card businesses

① Development of credit guarantee business

- Expansion of new partners (more new partners than FY2007 to be a total of 200 partners).
- Strengthen relationship with existing partners (co-operate with partners to accumulate high-quality loan balance).

② Ongoing development in the "real estate collateral financing" business.

- Promote business development through link with Atrium Co., Ltd. including the expansion of markets (areas).

③ New business development

- Entry into rental business and volume-sales electrical appliance stores (starting from June) .
- Also slated to develop ABL housing-related finance businesses.

	Balance at FY2007 year-end ⇒	Target for FY2008 year-end
Credit guarantee balance	¥154 billion (129% YoY)	<u>¥190</u> billion (123% YoY)
Balance of mortgage loans	¥219 billion (109% YoY)	<u>¥227</u> billion (103% YoY)
Lease & rental balance:	¥233 billion (104% YoY)	<u>¥240</u> billion (103% YoY)
Total revenues:	¥37.8billion (127% YoY)	<u>¥39.3</u> billion (104% YoY)

* Share of our profits: 12.2%

(Reference) Changes in Profit Profile

Change in profit profile

Increase in share of cash advances: **from 41% to 34%**

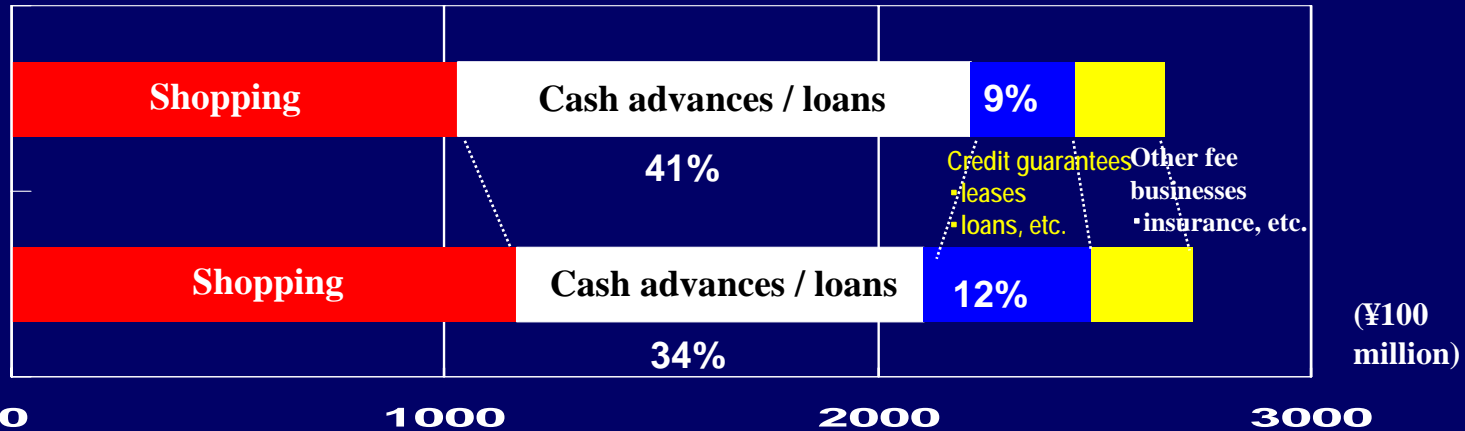
FY2006



Changes to lending laws

FY2008

(Forecast)



Change of profit profile by business

Increase in non-card business share: **from 17% to 38%**

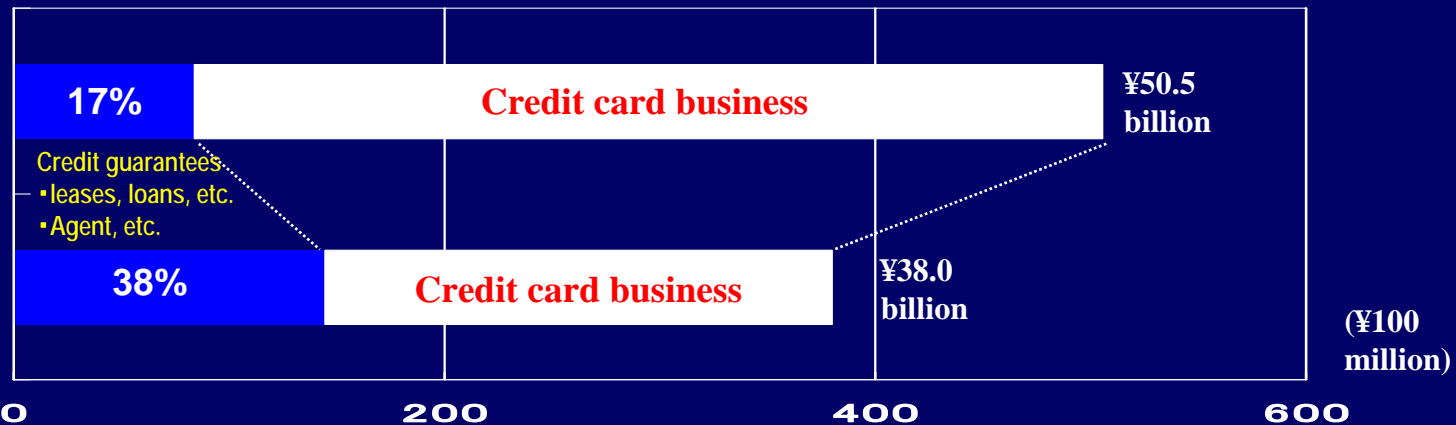
FY2006



Changes to lending laws

FY2008

(Forecast)



5. Implementing Measures to Ensure Sound Loans

Reducing bad debt costs through thorough risk management

Initial credit: Stricter management criteria

Thorough elimination of multiple debt customers and illegal applications

- Use information about the no. of TeraNet cases and balance information
⇒ improve credit check precision
- Stronger initial personal identification and background checks
⇒ Prevent fraudulent applications

Mid-term credit: Flexible response to ensure high-quality loans

Early assessment of potential risk to provide credit by risk segment

- Provide the desired credit line to the low-risk segment
⇒ Contribution to revenue through increased use
- Tighter credit line restrictions on the high-risk segment
⇒ Cost-cutting through loan risk reduction

Recovery: Fast response and emphasis on low-cost operations

Stronger recovery system linked to fast identification of potentially risky loans

- Use restrictions on parties that show a tendency toward multiple debts
⇒ Instant suspension and recovery upon default
- Conduct 2nd credit check upon default
⇒ Stronger early recovery in each risk segment

Reduce annual credit costs by ¥3.0 billion by implementing the above policies

6. Taking on New Business Challenges

Entry into overseas markets is necessary to expand the card business

① Credit card retail finance business activities overseas

- Trial issuances of cards in Shanghai, China and research on Asian market area have already been completed.
- Search for business alliances with Japanese corporations (financial institutions and large retailers) developing business overseas, as well as local overseas companies.

② Sales alliances with Asian card companies

- Opening of affiliated outlets with Shinhan card (Korea) and development of joint services (from May).
- Alliances in services with leading Asian card companies centered on the core of “Saison=Shinhan”

Taking on new business challenges by adhering to all necessary laws and regulations

③ Strengthen presence in business areas involving investments and small business loans with the goal of “ensuring profits by taking risks.”

7. Strengthening Credit Saison Group Management

Credit Saison Group: Business management and synergy benefits

① Consolidated subsidiaries

- **Atrium Co., Ltd.:** Using a recession-proof business model, this company seizes opportunities to acquire high-quality properties during real estate slumps. The partnership with Atrium is promoting our Company's real estate collateral financing business.
- **Concerto Inc.:** This company's sales are declining in response to changes in laws and regulations, as well as in the lifestyle of the youth segment. To ensure profitability, it is closing unprofitable offices and cutting costs of outlet operations.
(former Vivre)
- **Saison Fundex Corp.:** Overpriced requests for returns are diminishing. In FY2008, business development centers on cash reserves and real estate collateral loans.

② Development of new services for premium cardholders

- Saison Asset Management Co., Ltd., THOROUGHBRED CLUB SAISON, RHSJ, etc. which provide services to SAISON and UC cardholders, are planning to strengthen the content of their services.



**FY2008 contribution to profits by consolidated subsidiaries and equity-method affiliates:
¥24.0 billion (111% YoY)**

8. Implementation of a Flexible HR Strategy

Flexible HR recruitment, creating a friendlier working environment

① “Diversity Management” Personnel training / HR recruitment conducted without age/gender considerations

- Recruitment of women (including 1 director, 11 managers, and 38 section chiefs).
⇒ see page 48 of the reference materials
- Gave the youth segment opportunities to speak out through special initiatives (“self-assessment system for starting salary” and “C-BOARD” dialog with directors).
- Normalization of hiring of mid-career employees, employee-driven talent scout system, self-selection of desired duties.

② Diverse HR administration system

- Open Challenges: In-house recruiting for new positions / new businesses / partner companies (2007 results: 25 persons)
- A friendlier working environment for working mothers: 1,064 married persons, 695 with children, 101 persons on childcare leave at the moment, 125 cases of working hour reductions for child-care reasons.

Fostering of HR development managers to support the growth of Credit Saison

③ Platform shared by three companies: Credit Saison, UC CARD and Qubitous

- All three companies have removed barriers to personnel systems and personnel changes
- Bold HR recruitment, with an eye to the medium and long term; reform of the HR administration system to reduce personnel expenses

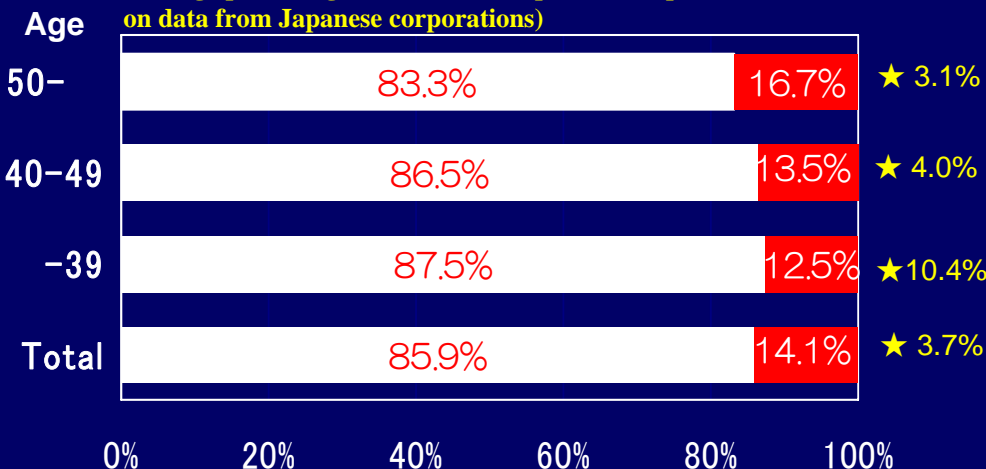
④ Program to educate next-generation managers

- Exchange of managers throughout the overall Credit Saison Group
- R-Academy (lectures by the president to pass on his thinking)

(Reference) Promotion of female workers above manager

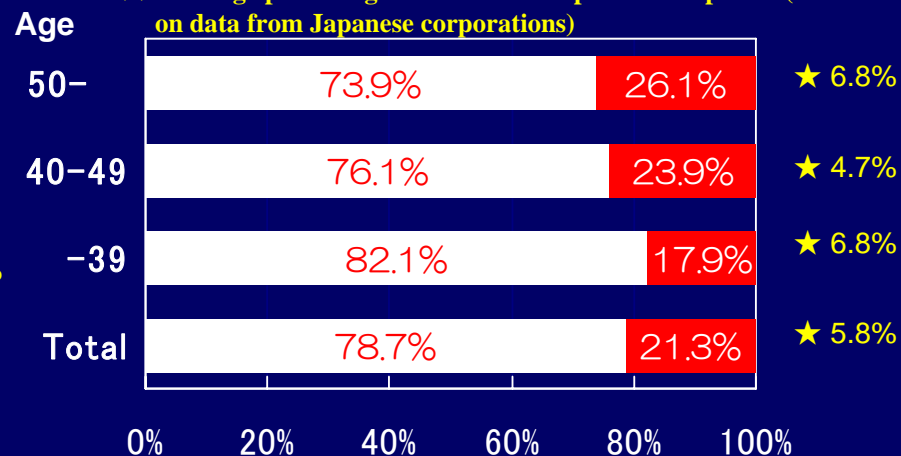
Ratio of males to females in general manager or equivalent positions

★ Average percentage of females in Japanese companies (based on data from Japanese corporations)

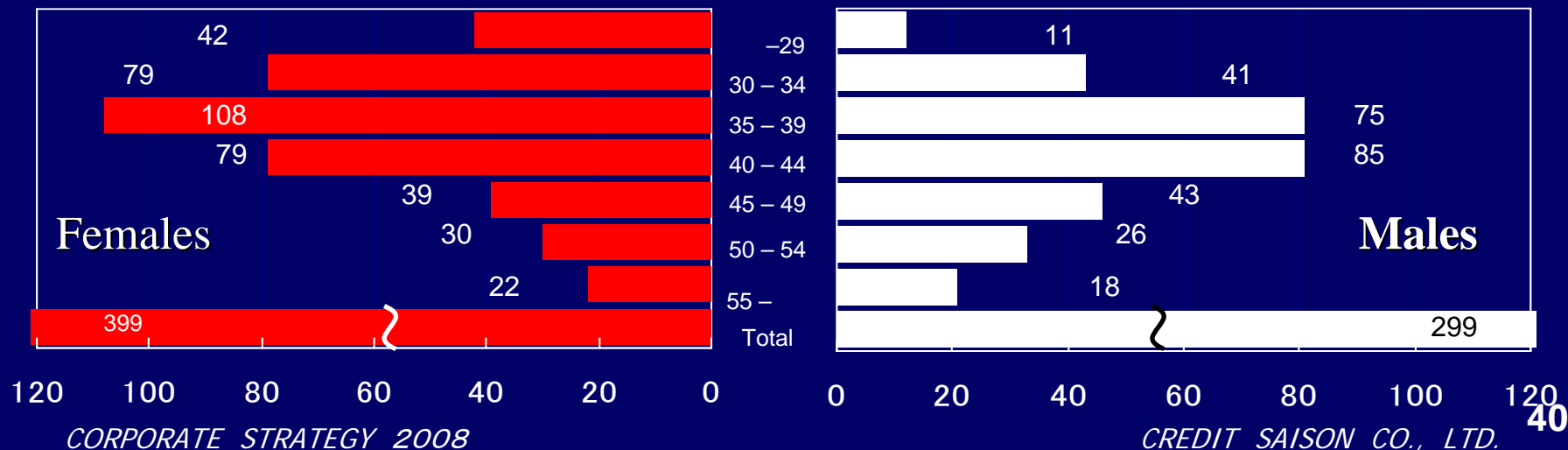


Ratio of males to females in section manager or equivalent positions

★ Average percentage of females in Japanese companies (based on data from Japanese corporations)



Age distribution from subsection manager and up

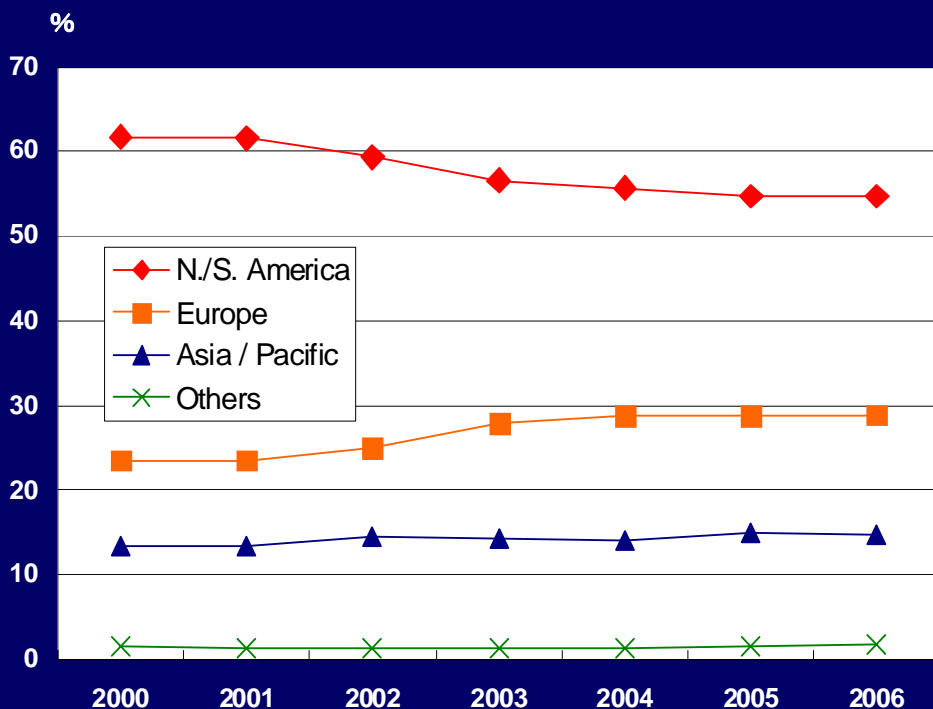




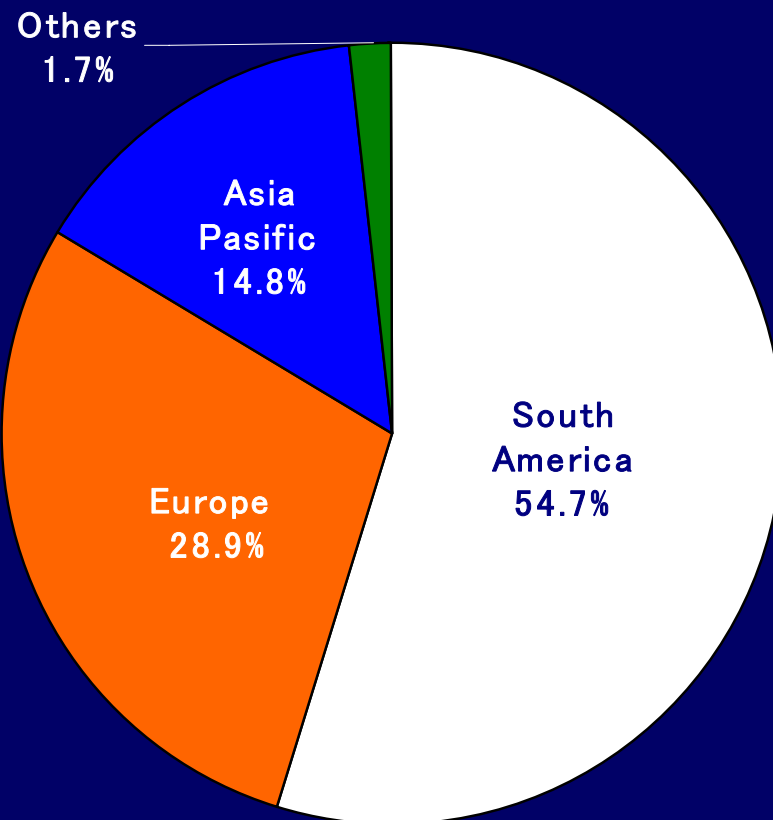
The Card Market: Current Situation

(1) Share and Growth by Area

■ Trend of transaction volume share by area



FY2006 transaction volume share by area



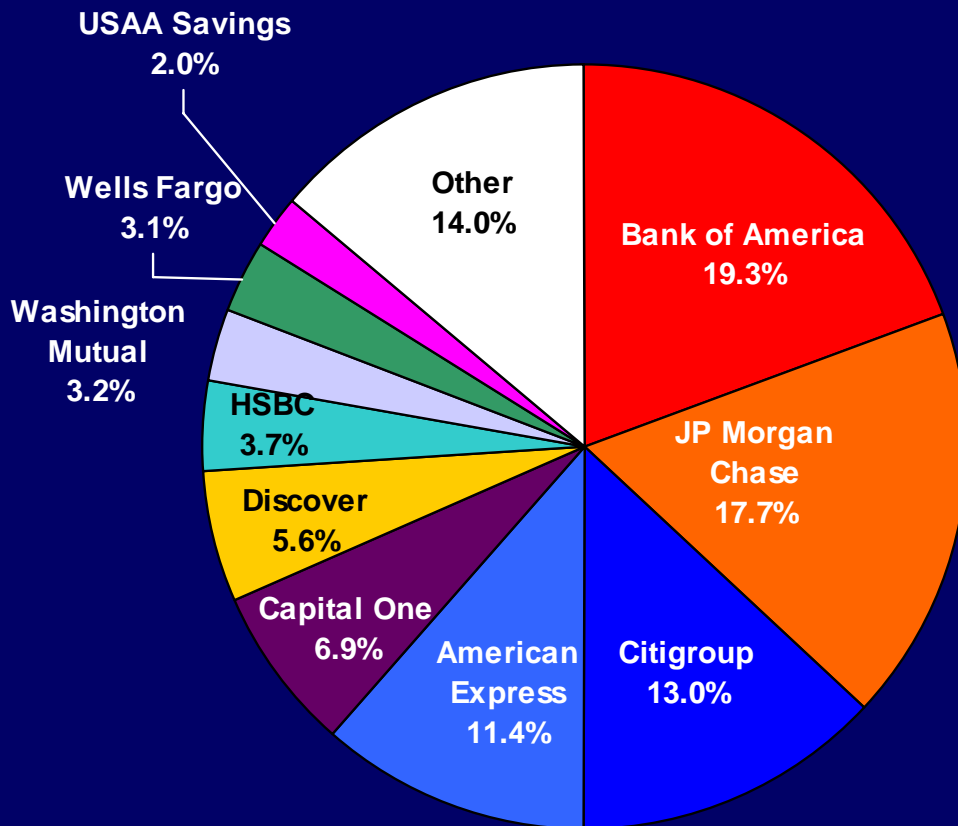
	2000	2001	2002	2003	2004	2005	2006
N./S. America	61.7%	61.6%	59.3%	56.5%	55.7%	54.7%	54.7%
Europe	23.5%	23.5%	25.0%	27.9%	28.7%	28.8%	28.9%
Asia / Pacific	13.3%	13.4%	14.4%	14.3%	14.1%	15.0%	14.8%
Others	1.5%	1.4%	1.3%	1.4%	1.4%	1.5%	1.7%

* Source: NILSON REPORT
 * Total of international brand credits and debits.

(2) Changes in U.S. Market Shares

Although JP Morgan Chase and Citigroup lost market shares, the three upper-ranking companies continue to hold the majority shares.

■ Loan balance shares by issuer



*Source: NILSON REPORT (2007 results for general-purpose cards)

■ Ranking by no. of cards issued

(10,000 cards)

Rank	Name of issuer	No. issued
1	Bank of America	12,360
2	JP Morgan Chase	10,770
3	Citigroup	10,250
4	Capital One	5,090
5	Discover	4,920

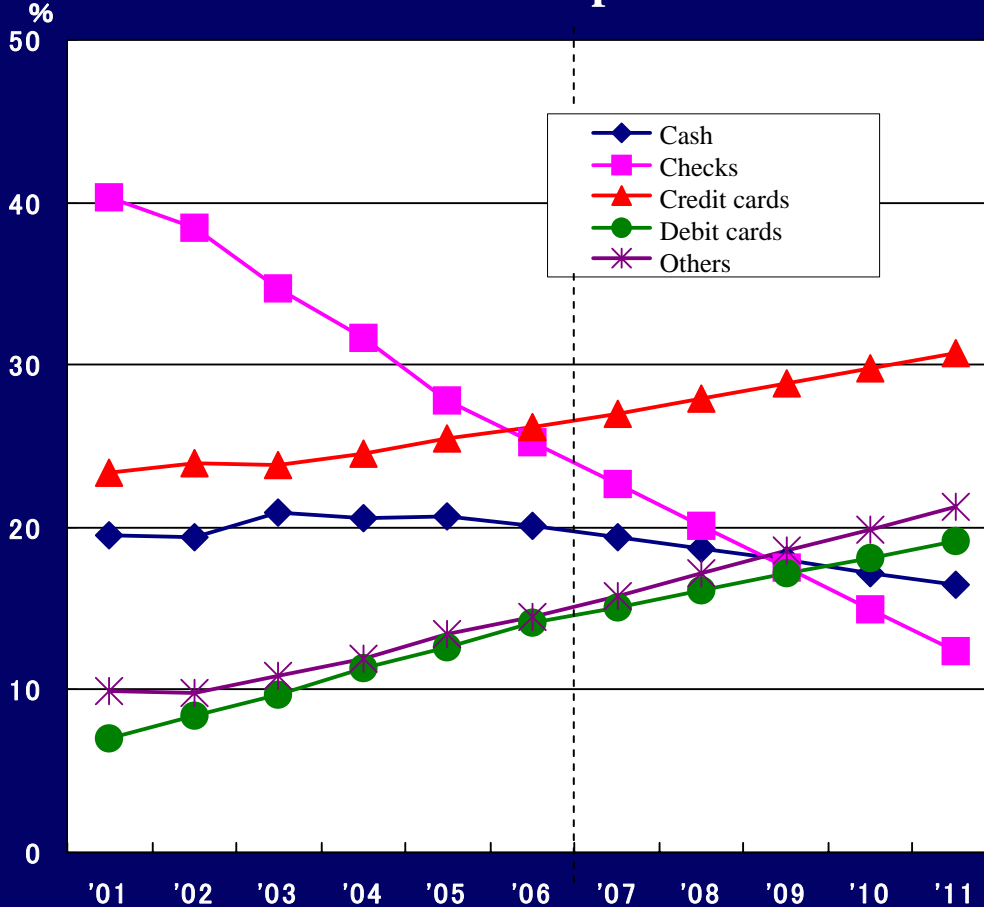
■ Ranking by shopping transaction volume

(\$100 million)

Rank	Name of issuer	Transaction volume
1	American Express	4,453
2	JP Morgan Chase	3,166
3	Bank of America	2,635
4	Citigroup	2,228
5	Capital One	1,059

(3) Changes in U.S. Settlement Methods and Forecast

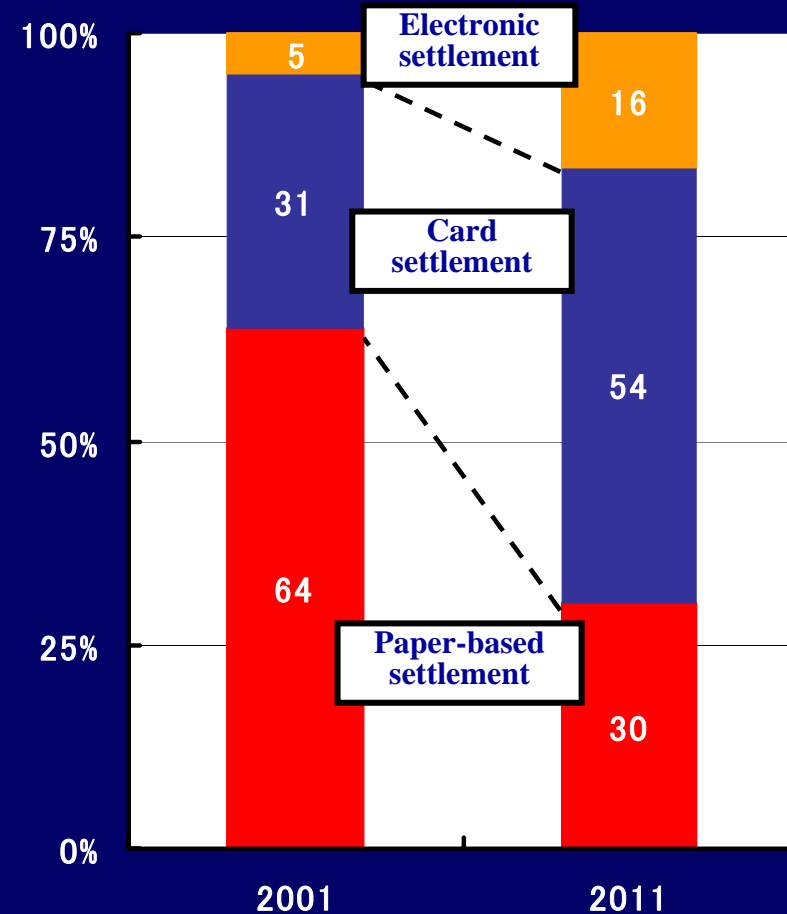
■ Trend in shares of major settlement methods within household consumption



2006 results

Cash	Checks	Credit cards	Debit cards	Others
20.1%	25.2%	26.1%	14.1%	14.5%

Trend development 2001–2011



*Electronic settlement: Account charge-back/transfer

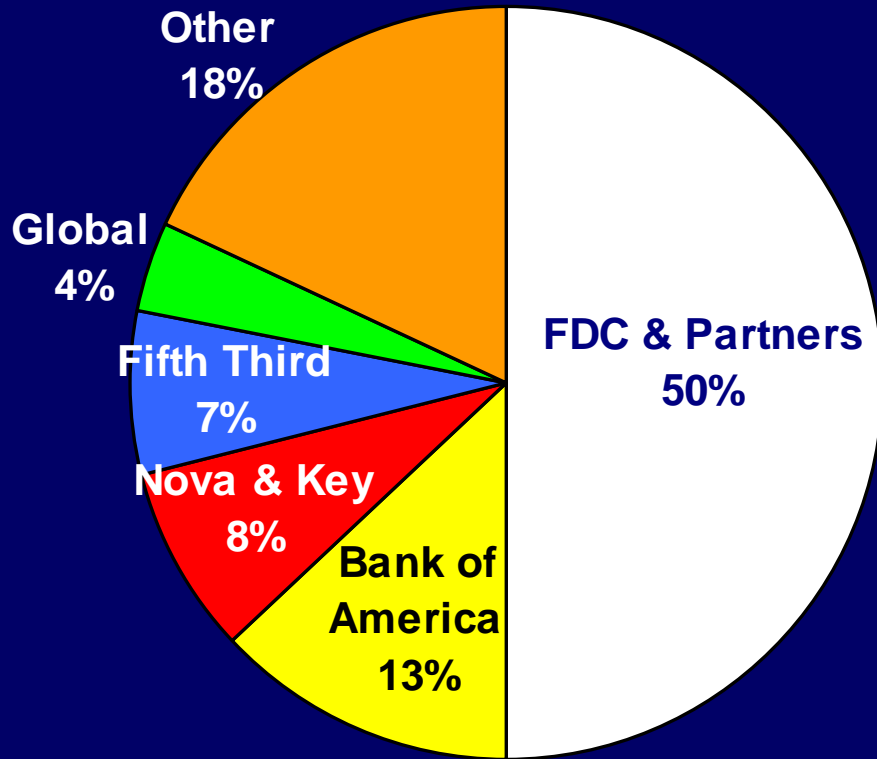
*Card settlement: Credit / debit / pre-paid, etc.

*Paper-based settlement: Cash / check / postal money order / travelers' checks, etc.

Source: NILSON REPORT (forecast from 2007 on)

(4) Differentiation of Functions within Card Business and the Listing of VISA

■ Transaction volume shares of U.S. acquirers in 2007



■ Stock prices of listed brand companies and aggregate market values

	Stock price (\$)	Aggregate market value (\$100 million)
VISA	67.04	519.6
MasterCard	230.50	302.3
American Express	44.70	516.8

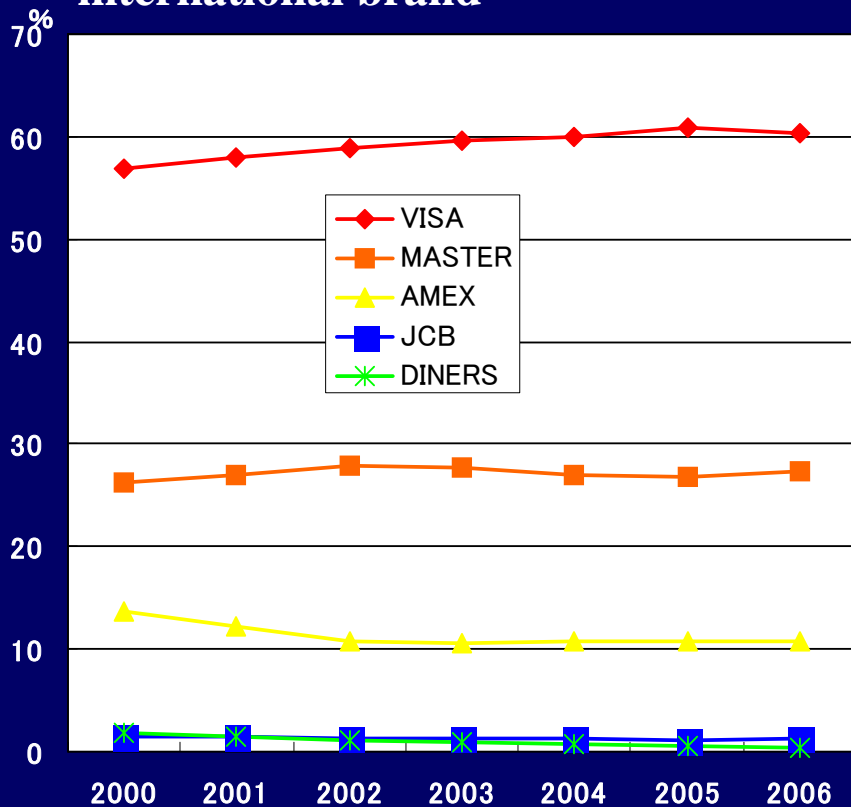
* As of 2008/4/17

* Source: NILSON REPORT

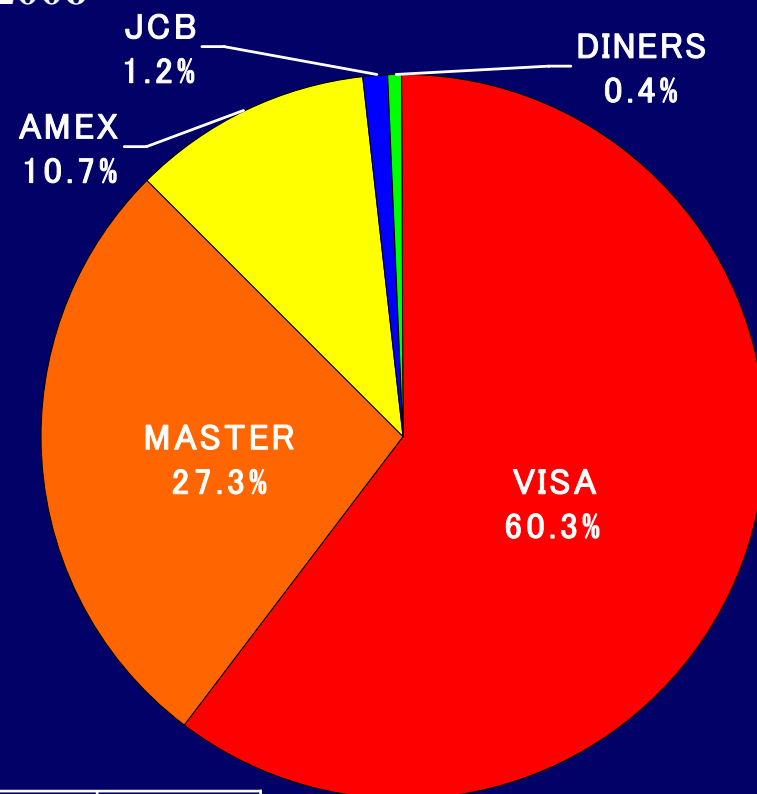
* Based on VISA & MasterCard transaction volumes

(5) Global Market Share by Brand

Transaction volume share trends by international brand



Global transaction volume shares for 2006



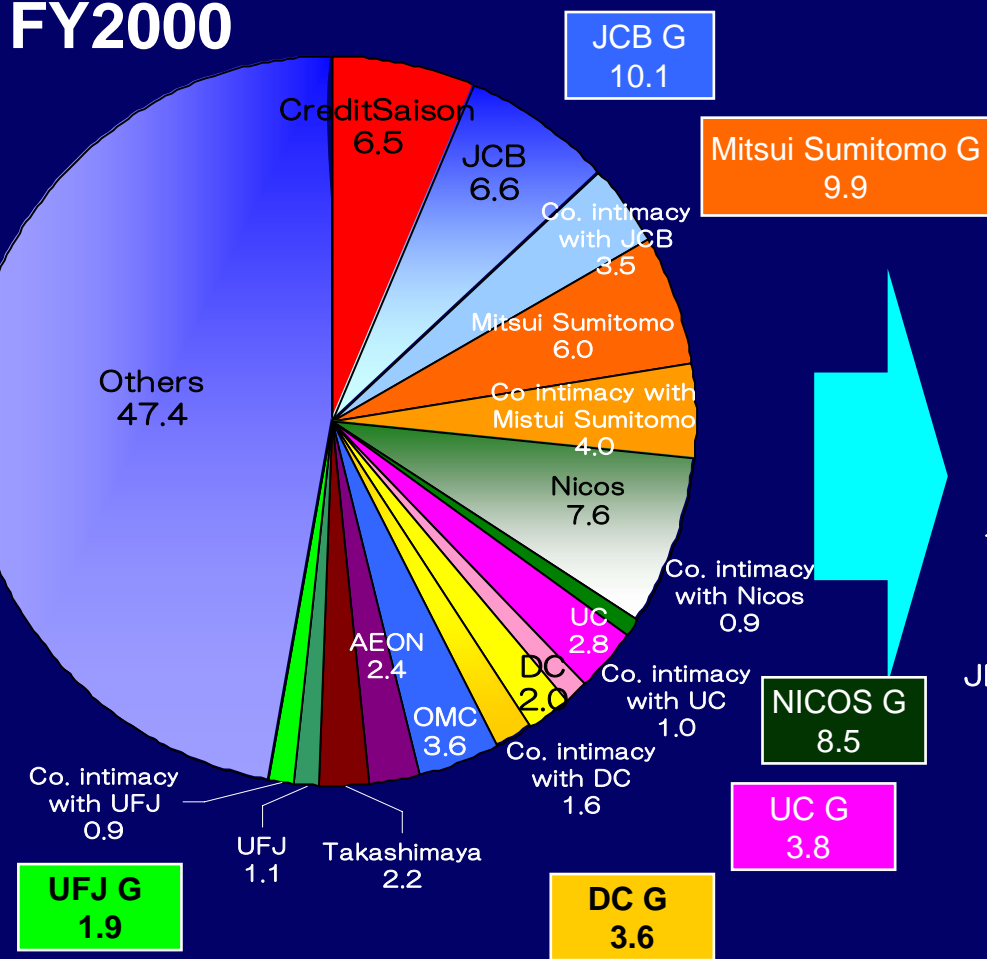
* Source: NILSON REPORT

* Combined totals of credit and debit for VISA and MASTER. For other companies only credit is shown.

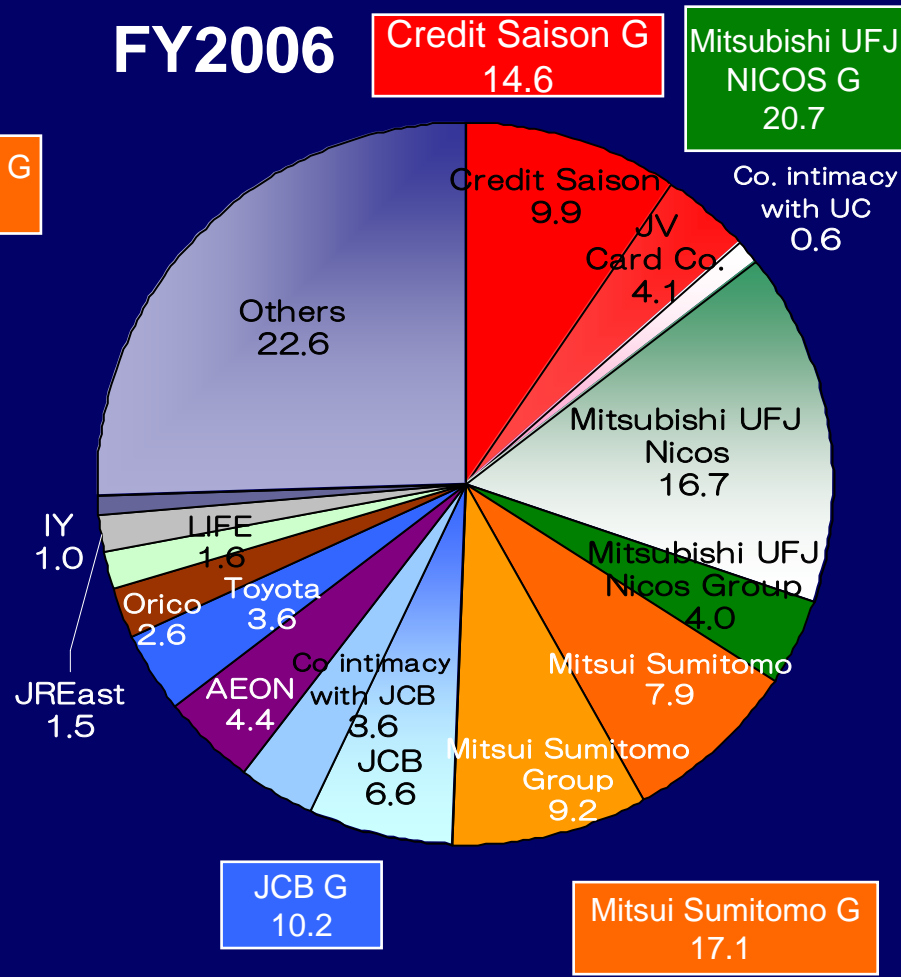
	2000	2001	2002	2003	2004	2005	2006
VISA	56.9%	58.0%	59.0%	59.6%	60.0%	60.9%	60.3%
MasterCard®	26.3%	27.0%	28.0%	27.7%	27.0%	26.9%	27.3%
American Express®	13.6%	12.1%	10.8%	10.6%	10.8%	10.7%	10.7%
JCB	1.4%	1.4%	1.3%	1.2%	1.3%	1.2%	1.2%
Diners Club	1.8%	1.4%	1.0%	0.9%	0.8%	0.5%	0.4%

(6) Change of domestic market share (shopping transaction volume)

FY2000



FY2006



- ※ Capital alliance partners: Combined totals of LAWSON CS Card, Idemitsu Credit Co., Ltd., Resona Card Co., Ltd. and Takashimaya Credit Co., Ltd. etc.
- ※ Close partners: Companies, etc. using the brand (the "Group" includes all affiliated companies, capital alliance partners and close partners).
- ※ The figures of UFJ NICOS include data from its consolidated subsidiaries.
- ※ Calculated using our own estimates (combined total of card shopping and cash advances).

Transaction volume FY2006:
¥34.8 trillion

(7) Changes to the Domestic Credit Market

Mizuho FG



Credit Saison



Risona HD



Mitsui-Sumitomo FG



Postal Bank



JCB

Others



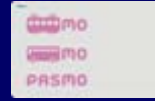
NTT DoCoMo



Sony



JR Group



Mitsubishi UFJ FG

