

Management Report

FY2008 (April-September)



November 10, 2008
Credit Saison Co., Ltd.



AGENDA

- ◆ **Interim FY2008 Highlights** **1**
- ◆ **Financial Overview of First Half
of FY2008** **2**
- ◆ **Management Strategy** **21**
- ◆ **Reference Materials** **28**

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.

Highlights during the Period

◇ **Qubitous Co., Ltd. becomes Credit Saison subsidiary (April 1)**

Processing operations consolidated and combined, joint management with Mizuho Bank, Ltd.

◇ **Merger with LAWSON CS Card, Inc. (September 1)**

LAWSON CS Card, Inc. becomes wholly-owned subsidiary in April, merged with Credit Saison on September 1.

◇ **Progress on alliance with Yamada Denki Co., Ltd.**

Started new home appliance rental business.
Yamada LABI cards issued over 1,000,000.

◇ **New alliances**

Formed new alliances with 14 financial institutions in the credit guarantee business.

Business alliance with Shinhan Card Co., Ltd. (Korea).

- ◆ **Operating Results**
- ◆ **Credit Risks** (delinquency, credit costs and interest return requests)
- ◆ **Financial Indices**
- ◆ **Main Indices (Non-consolidated)**

Operating Results

(¥ billion)

		FY2007 1H	YoY (%)	FY2008 1H	YoY (%)	FY2008 (Estimate)	YoY (%)
Consolidated	Operating revenues	177.3	107.1	171.2	96.5	342.0	99.0
	Ordinary income	32.9	76.4	28.7	87.1	52.0	89.5
	Net income	12.2	—	15.6	127.7	25.5	95.3
	Earnings per share (¥)	6.802	—	8.672	127.5	14.155	95.1

Non-consolidated	Operating revenues	140.8	106.9	133.5	94.8	270.0	97.2
	Ordinary income	20.7	70.6	22.2	107.3	39.0	106.7
	Net income	12.7	—	14.6	115.2	22.5	91.5

Results by Business Segment

(¥ billion)

	Operating revenues			Operating income (loss)		
	FY2007 1H	FY2008 1H	Rate of change (%)	FY2007 1H	FY2008 1H	Rate of change (%)
Credit Service	130.3	128.0	△1.7	17.9	16.9	△5.6
Finance	22.0	22.7	3.3	4.8	7.0	45.4
Real Estate-related	20.7	15.8	△23.7	13.7	7.4	△ 45.7
Entertainment	7.3	8.0	9.3	△2.0	0.9	—
Others	0.8	0.9	17.1	0.4	0.6	44.7
Total	181.2	175.6	△ 3.1	35.0	33.0	△ 5.7
Inter-segment Transactions	(3.9)	(4.4)	14.7	(2.8)	(2.5)	△10.1
Consolidated	177.3	171.2	△3.5	32.1	30.4	△5.3

Contribution to Consolidated Results

Ordinary income: Difference between consolidated and non-consolidated figures

Contribution to consolidated results

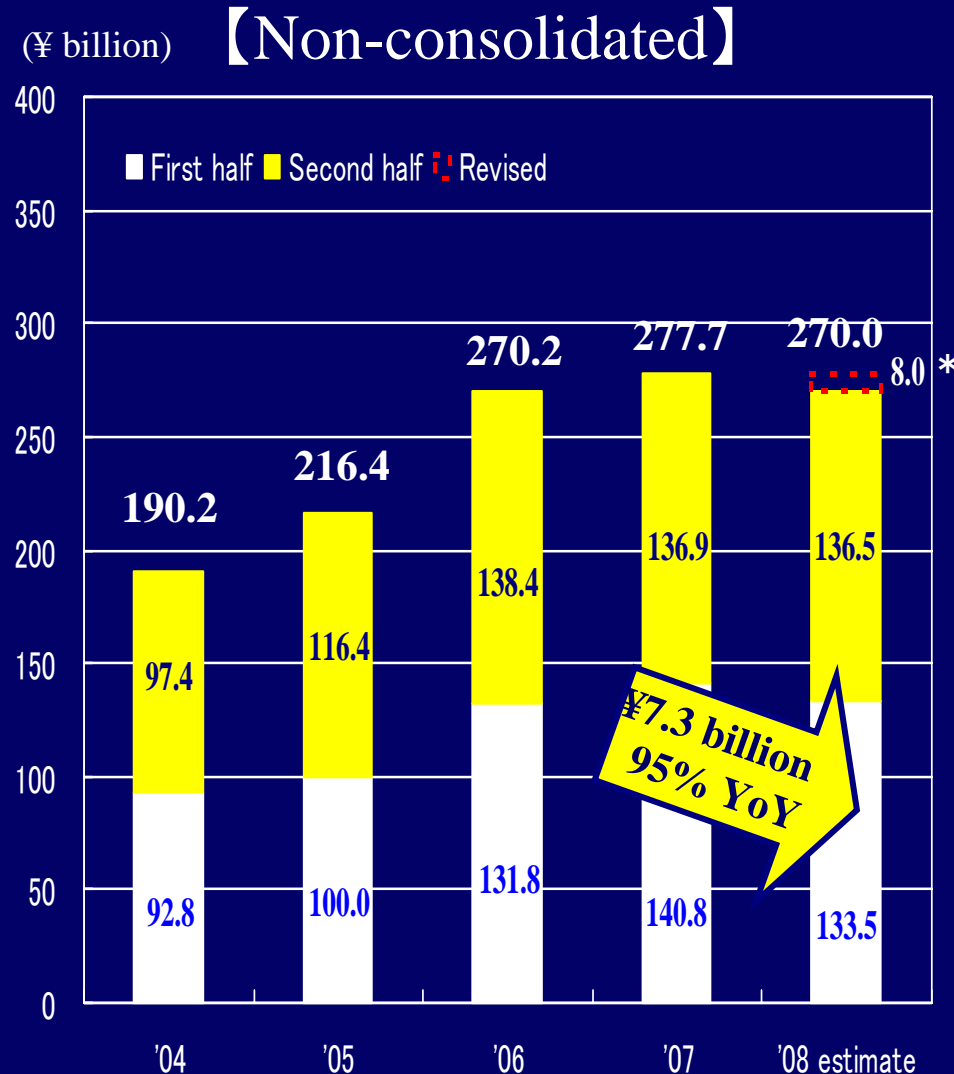
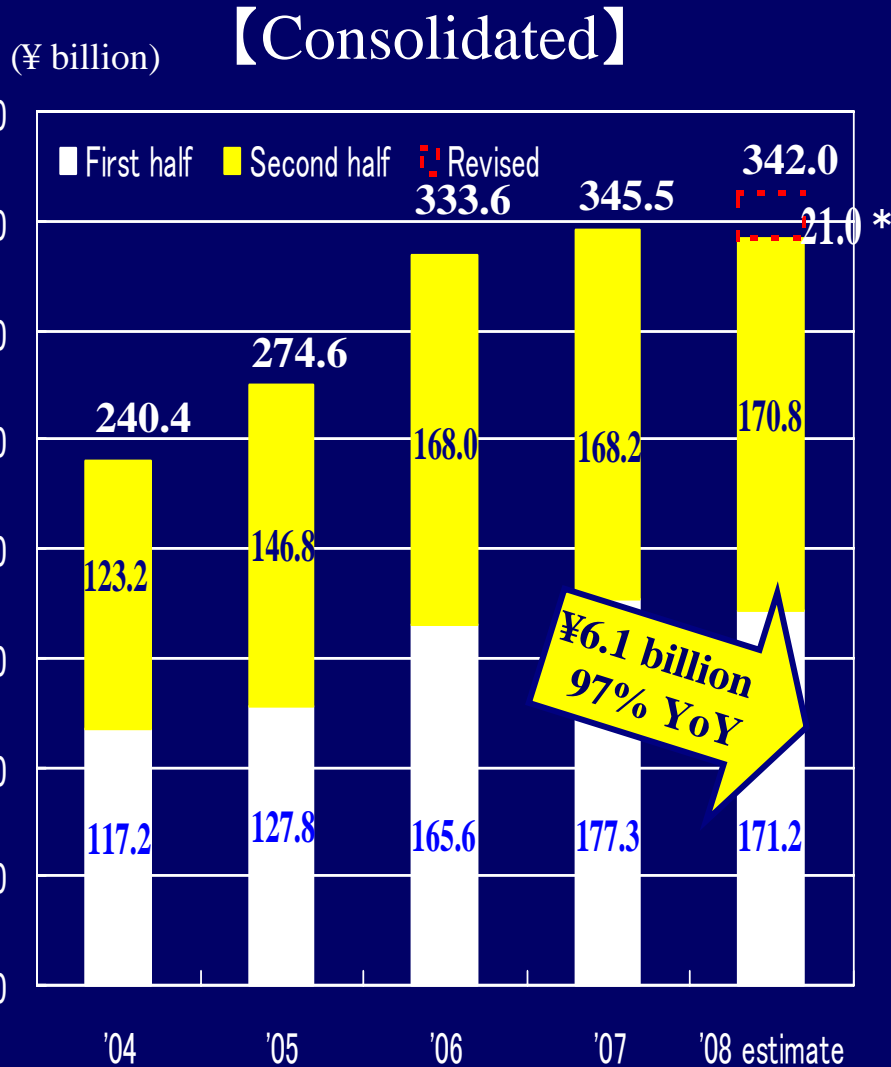
	Consolidated	Non-consolidated	Difference
Ordinary income	¥28.7 billion	¥22.2billion	¥6.4 billion

Major consolidated subsidiaries	Contribution to ordinary income
Atrium Group <ul style="list-style-type: none"> ▪ Atrium Co., Ltd. (real estate loan guarantees, liquidation of real estate, strategic investment business) ▪ Atrium Servicing Co., Ltd. (servicing business) ▪ AIC Co., Ltd. (liquidation of real estate) 	¥4.7 billion
Saison Fundex Group <ul style="list-style-type: none"> ▪ Saison Fundex Corp. (loans) ▪ House Planning Co., Ltd. (real estate) 	¥1.9 billion
Concerto Group <ul style="list-style-type: none"> ▪ Concerto Co., Ltd. (amusement business) ▪ A&A Co., Ltd. (amusement business) 	¥1.1 billion
JPN COLLECTION SERVICE Co., Ltd. (servicing business)	¥0.5 billion

Major equity-method affiliates	Contribution to ordinary income
Saison Information Systems Co., Ltd. (information processing)	¥0.29 billion
Idemitsu Credit Co., Ltd. (credit card business)	¥0.09 billion
Resona Card Co., Ltd. (credit card business)	¥0.07 billion
Takashimaya Credit Co., Ltd. (credit card business)	¥0.03 billion

Operating Revenues (Consolidated/Non-consolidated)

About seven billion yen decreases in operating revenues because of lowering interest rate of cash advances.



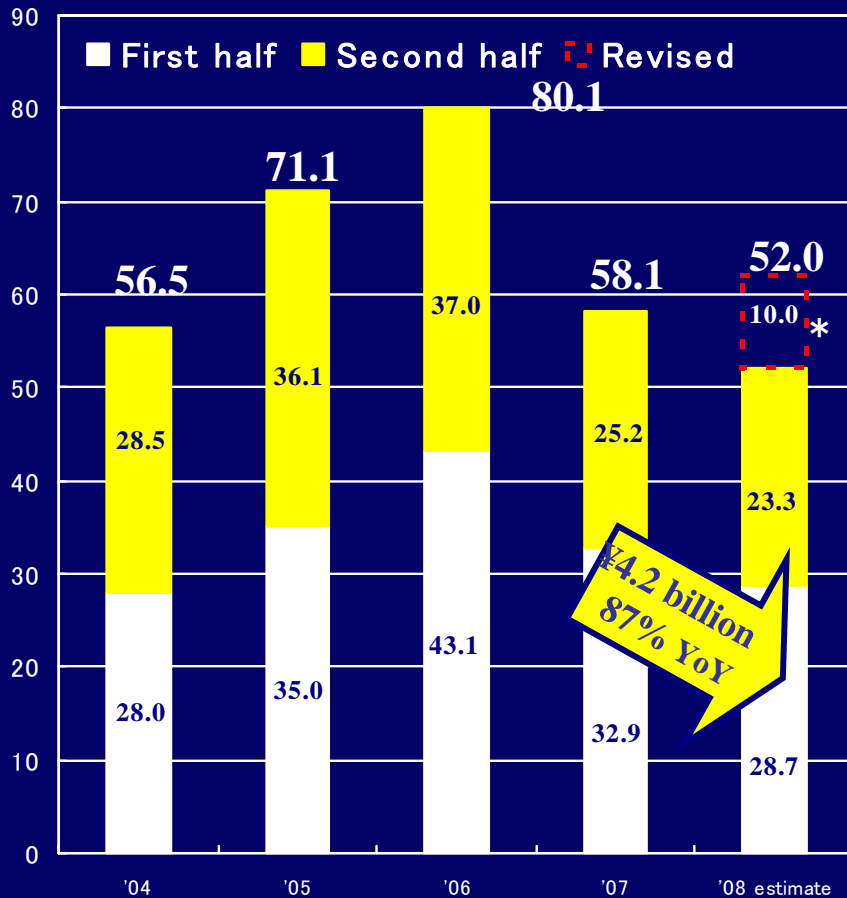
* Revised amount is change from start-of-term forecast
CORPORATE STRATEGY 2008

CREDIT SAISON CO., LTD.

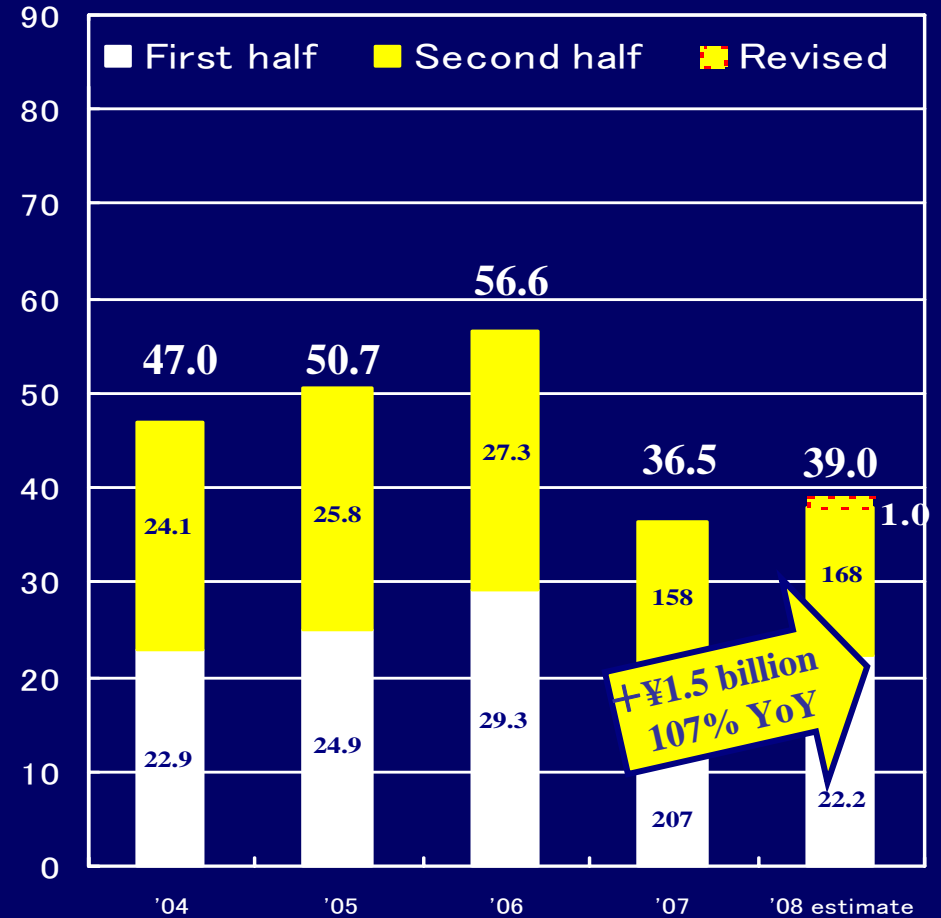
Ordinary Income (Consolidated/Non-Consolidated)

The real estate business decreased the profit below the previous year in consolidated bases.
Ordinary income increase by the cost reduction effect including credit cost in non-consolidated bases.

(¥ billion) 【Consolidated】



(¥ billion) 【Non-Consolidated】



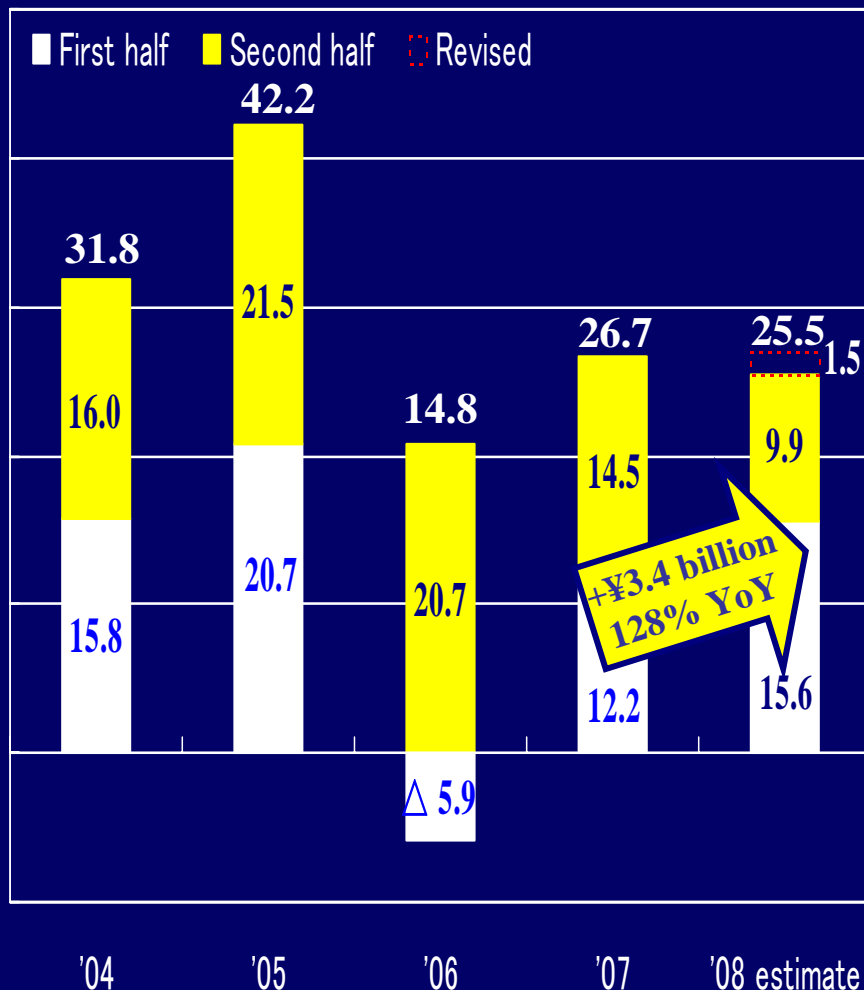
* Revised amount is change from start-of-term forecast

Net Income (Consolidated/Non-consolidated)

Secured profit increase above plans in both consolidated and non-consolidated bases.

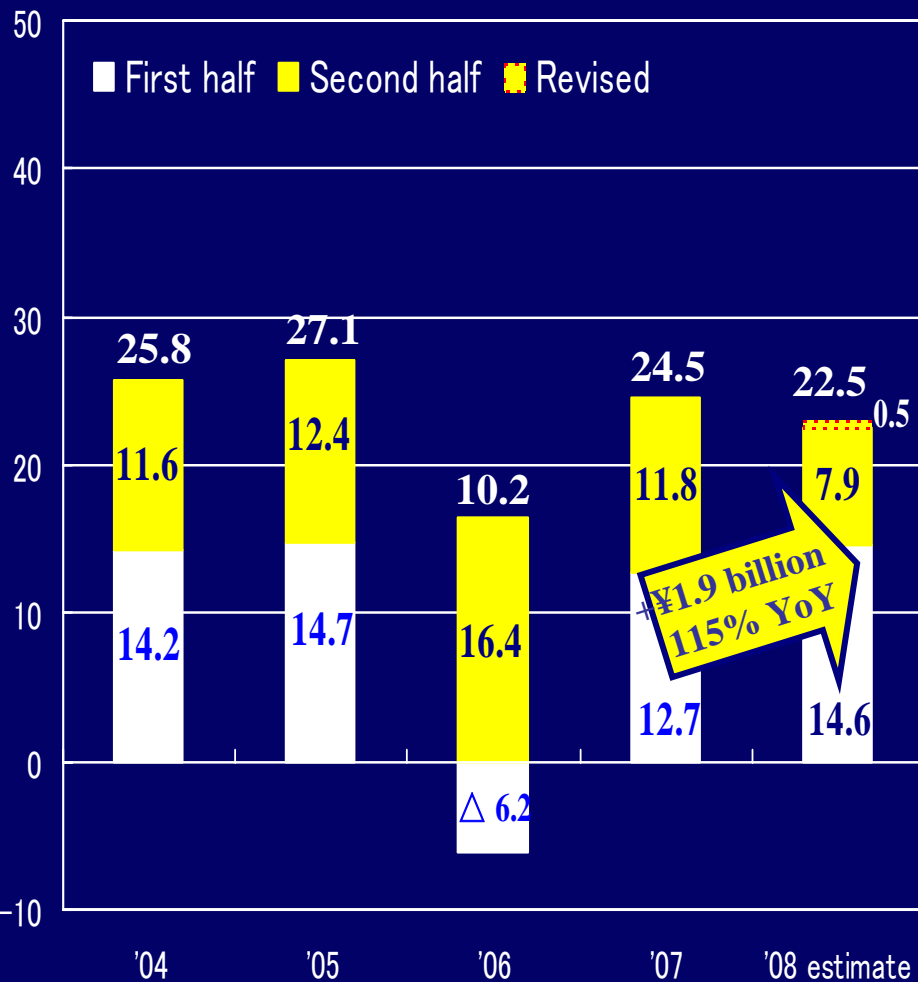
【Consolidated】

(¥ billion)



【Non-consolidated】

(¥ billion)

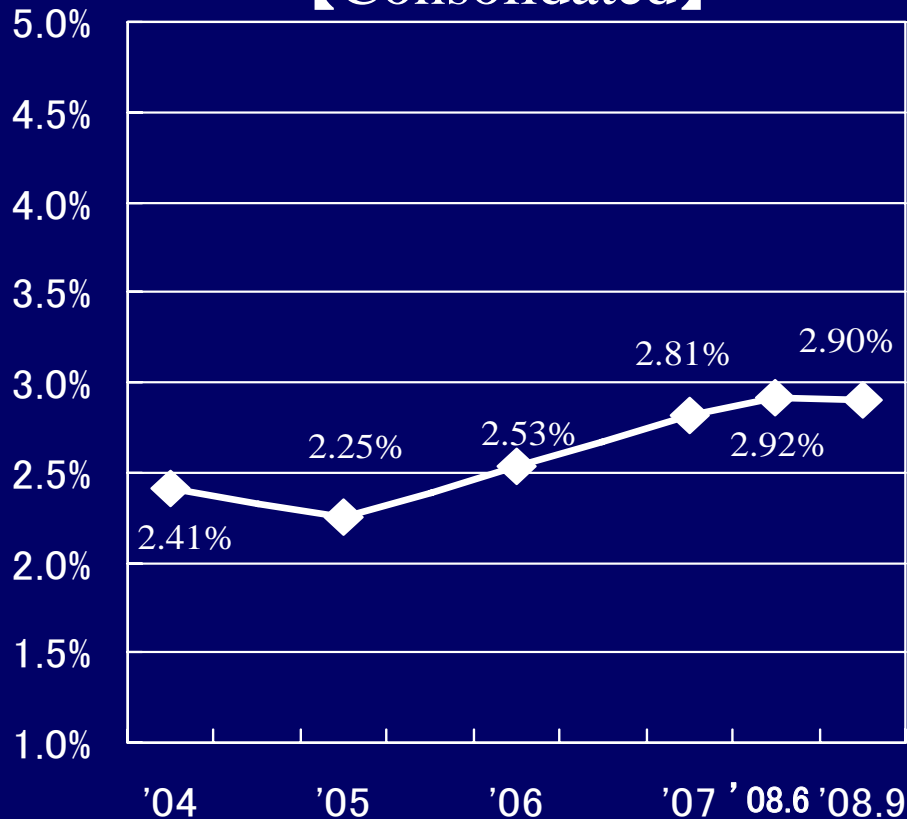


Credit Risk Trends①

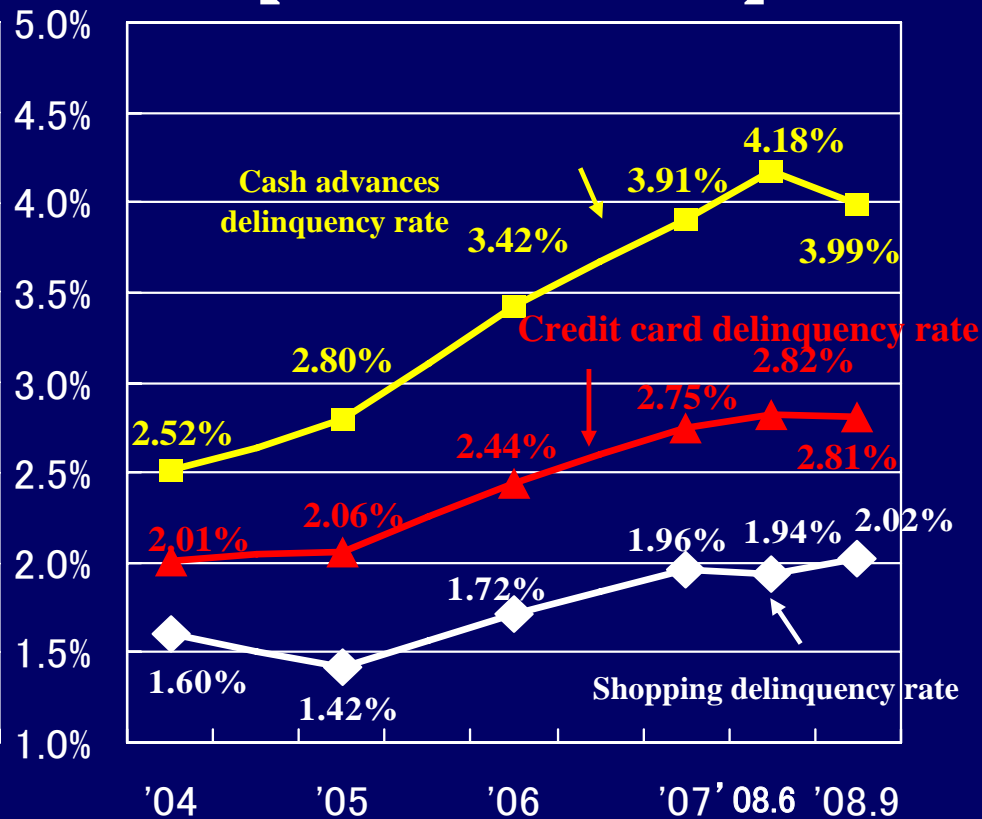
Delinquency rate lowered due to processing claims of the intervention of lawyers and other parties.

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

■ Delinquency of over 90 days 【Consolidated】



【Non-consolidated】



※Delinquency rate including LCS:Consolidated 3.01%、Non-consolidated Shopping 2.11%、Cash advances 4.27%、Credit card total 2.99%

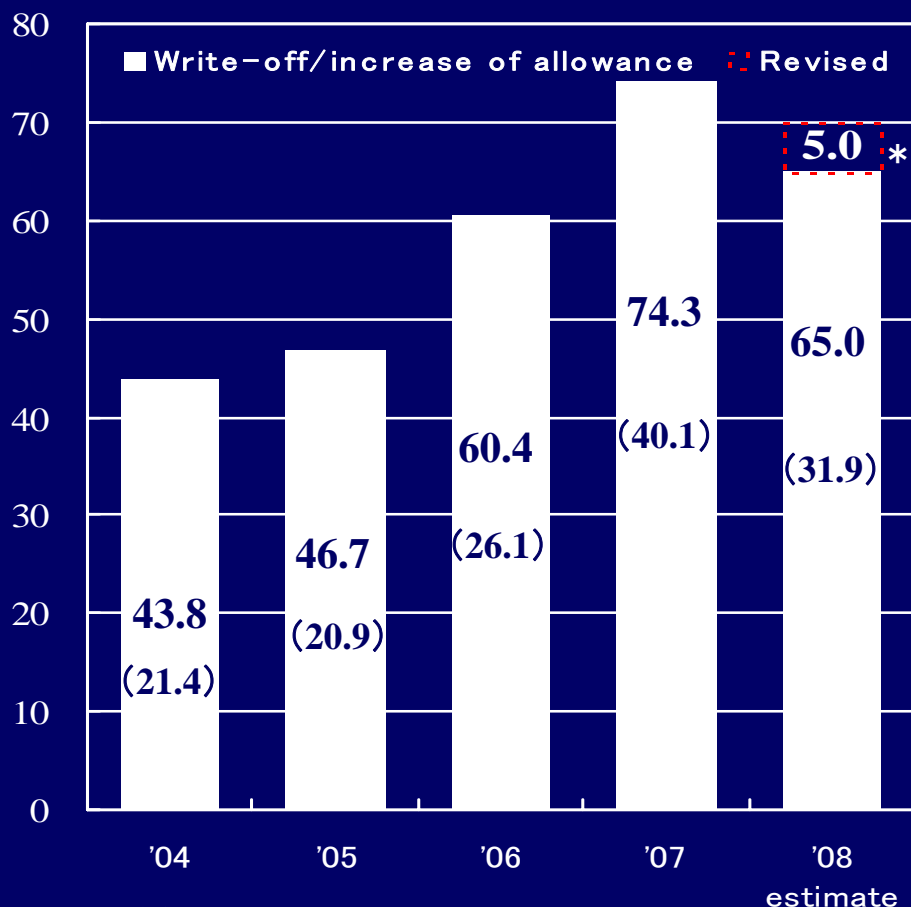
Credit Risk Trends ②

Credit cost including interest repayment cost decreased and expect 5 billion yen decrease of full year

■ Credit cost trends

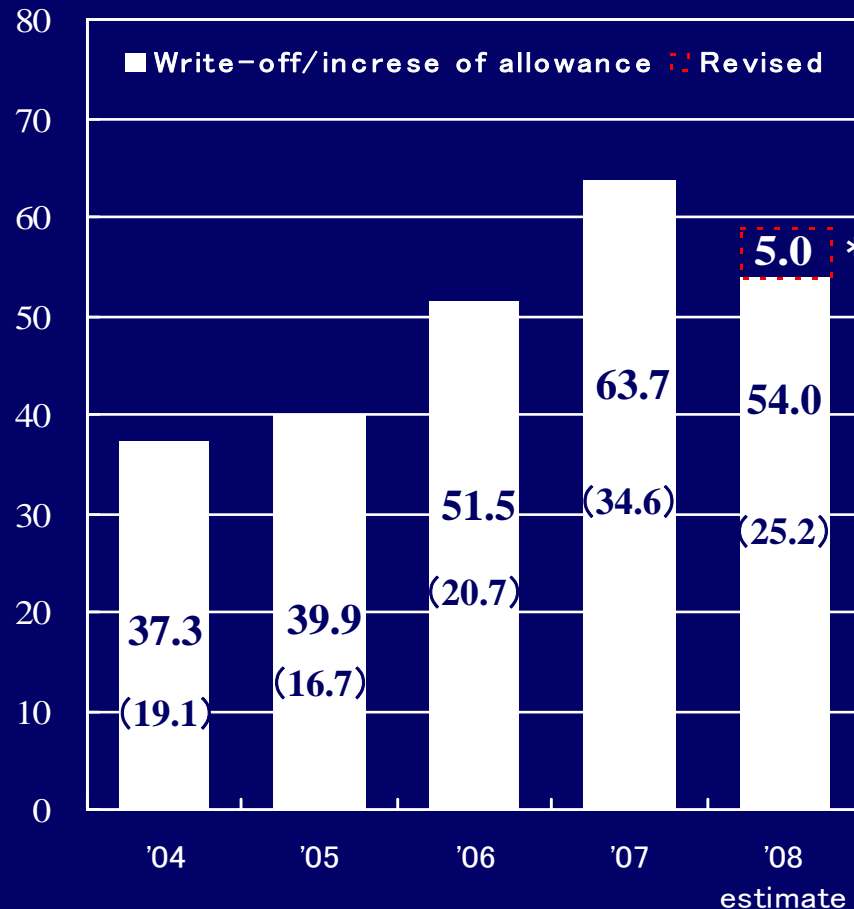
() First Half

(¥ billion) 【Consolidated】



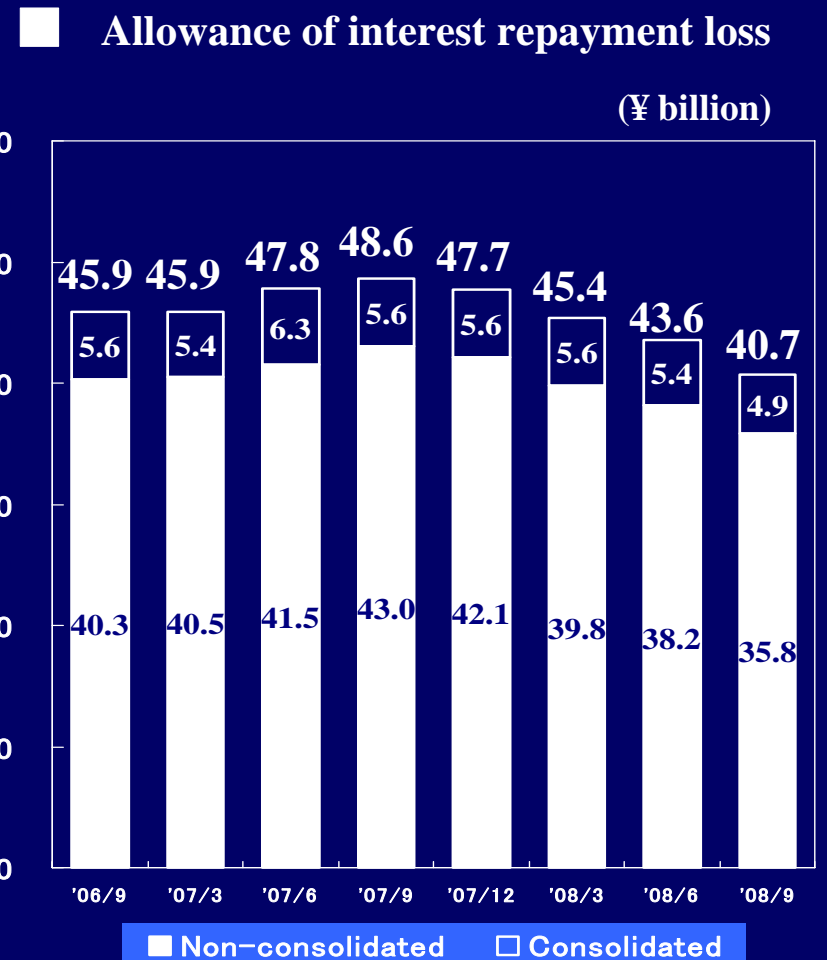
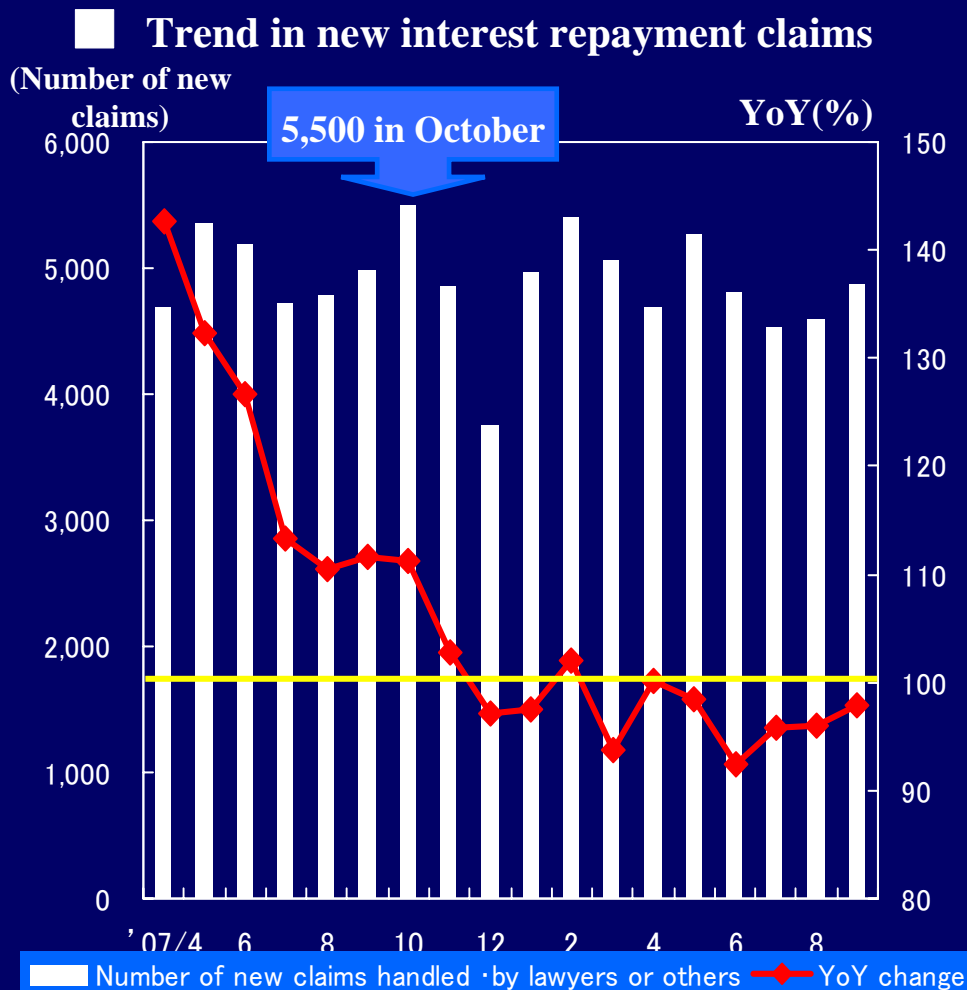
※Credit cost includes interest repayment cost

(¥ billion) 【Non-consolidated】



Trends in Losses on Interest Repayment

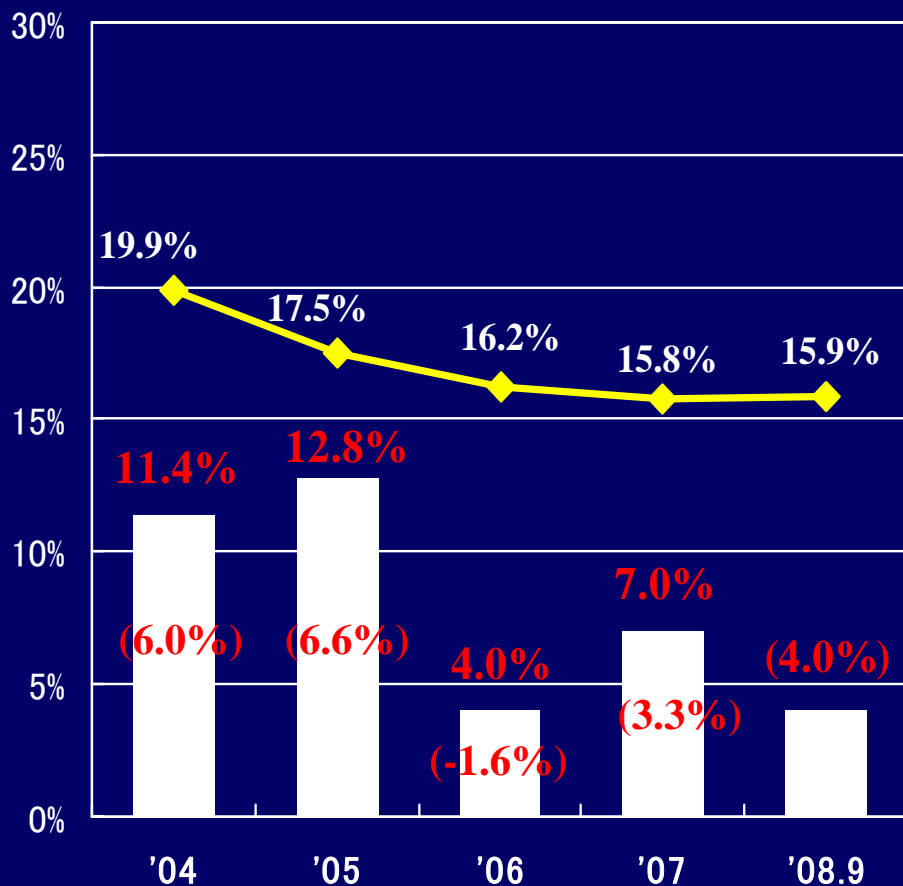
The number of new interest repayment claims is decreasing year on year due to the intervention of lawyers and others. Allowances are also decreasing.



Financial Indices

Shareholders' Equity Ratio & Return on Equity

【Consolidated】



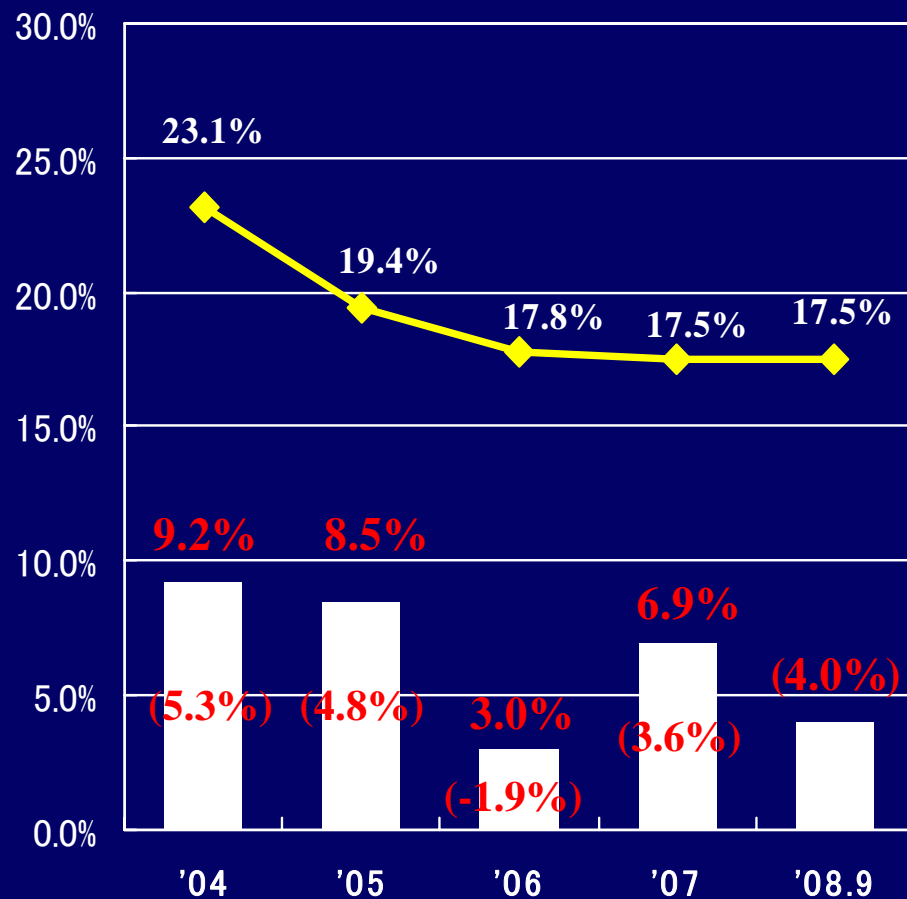
ROE Shareholders' Equity Ratio

CORPORATE STRATEGY 2008

Rating

R&I A⁺ S&P A⁻ Fitch A

【Non-consolidated】 () First Half



ROE Shareholders' Equity Ratio

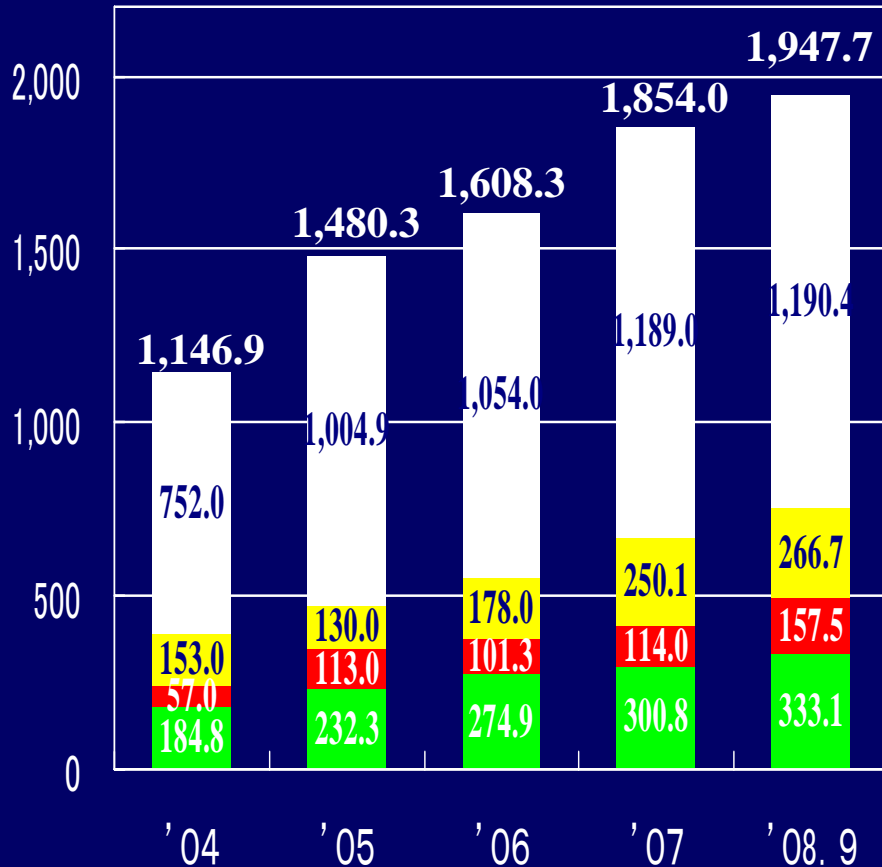
CREDIT SAISON CO., LTD.

Funding Structure

Interest-bearing debt trends

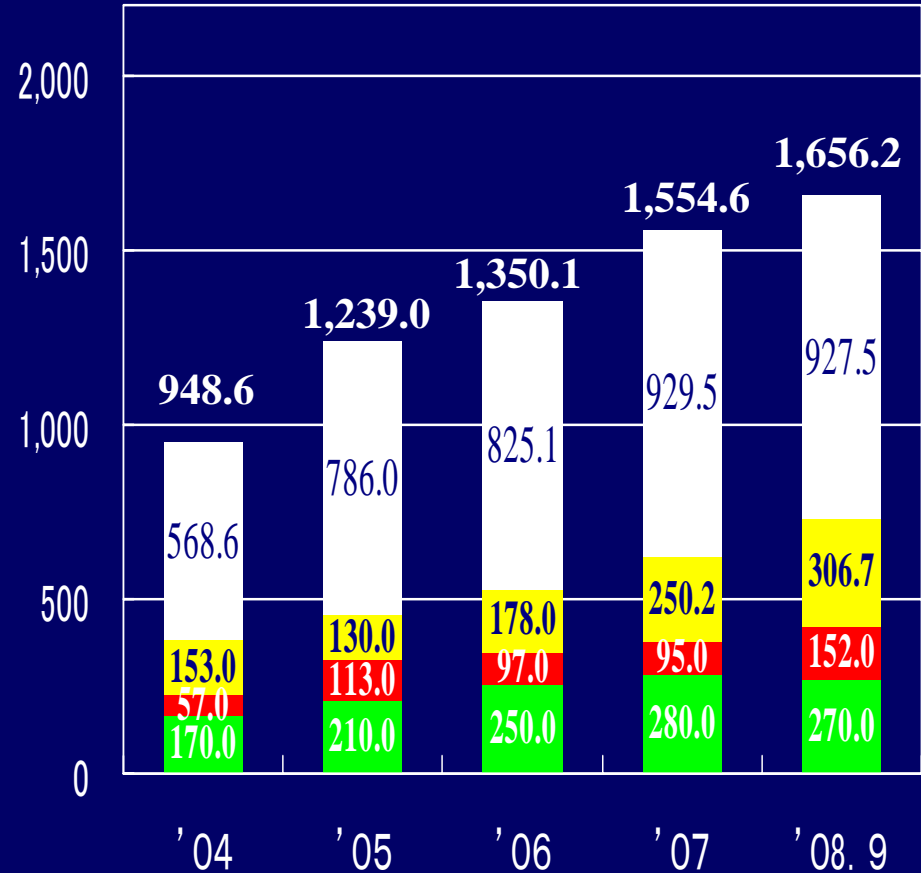
【Consolidated】

(¥ billion)



【Non-consolidated】

(¥ billion)



■ Corporate bond ■ CP ■ Securitization ■ Debt

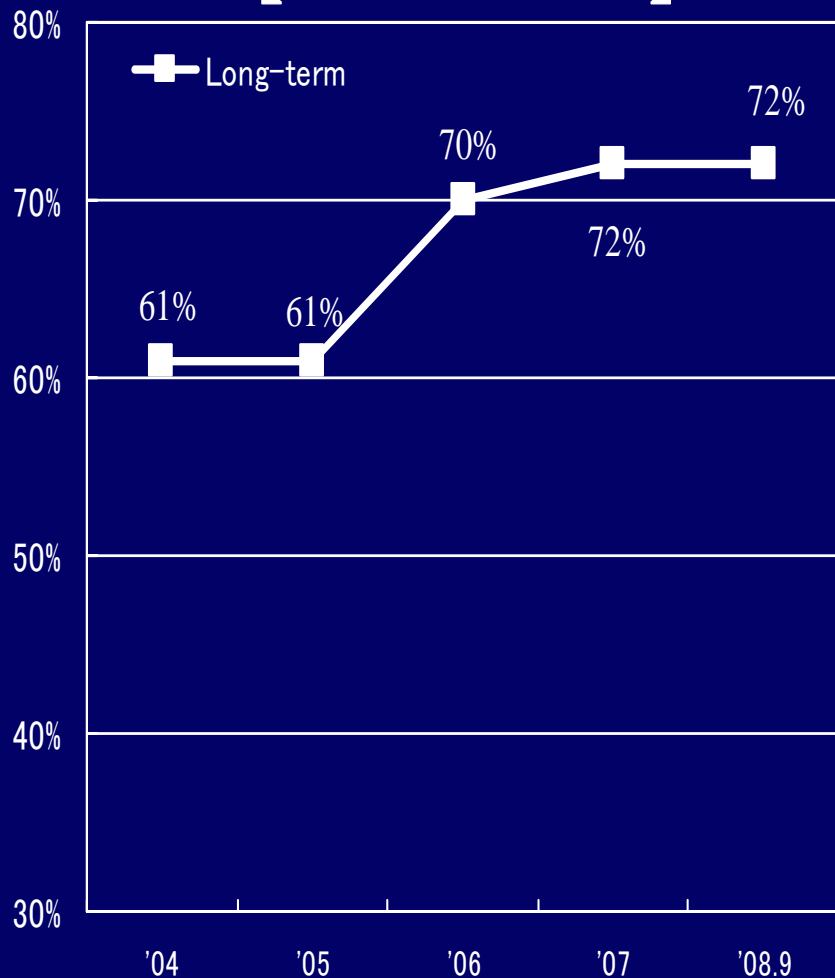
■ Corporate bond ■ CP ■ Securitization ■ Debt

Funding Structure

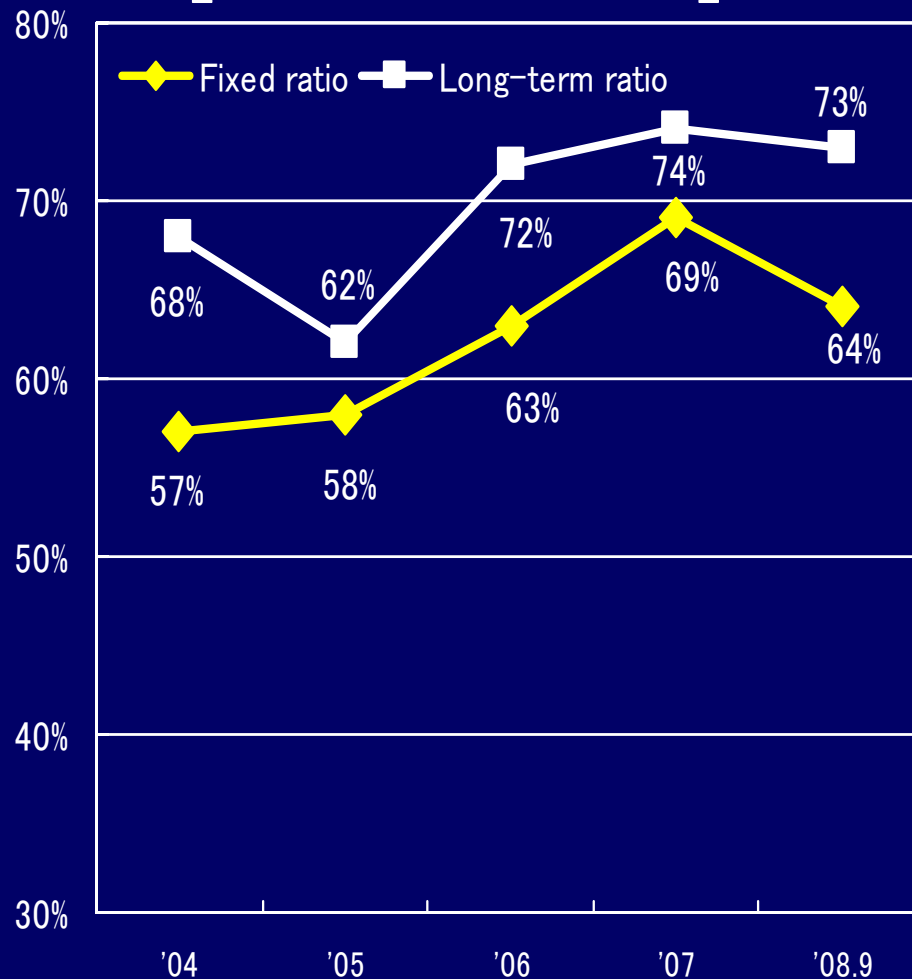
■ Long-term ratio and fixed ratio

Balance of corporate bonds and long-term debt: ¥908.9 billion. Average due date is approx. 5 years.

【Consolidated】



【Non-consolidated】



FY2008 Revised Forecast of Full-year Results

(¥billion)

		Previous forecast (Sept. 25) (A)	Current revised forecast (B)	Change (B - A)	Change from start-of-term forecast	Major reasons for change
Consolidated	Operating revenues	347	342	△5	△21	<ul style="list-style-type: none"> Operating revenue decline caused by downturn in sales in real estate business Approx. ¥10 billion Revenue decline in credit card business (non-consolidated) Approx. ¥7 billion Revenue decline from merging with LAWSON CS Card (i.e. moving from consolidated to non-consolidated) Approx. ¥3 billion
	Ordinary income	51	52	+1	△10	
	Net income	24	25.5	+1.5	△1.5	
Non-consolidated	Operating revenues	275	270	△5	△8	<ul style="list-style-type: none"> Revenue decline in credit card business with sluggish personal consumption Approx. ¥7 billion Revenue decline because of cautious approach to real estate collateral loans Approx. ¥2 billion Reduction in credit costs Approx. ¥5 billion
	Ordinary income	38	39	+1	+1	
	Net income	22	22.5	+0.5	+0.5	



Main Indices

(Non-consolidated)

Main Indices (Non-consolidated)

() Change from end of FY2007

	FY2007 Fiscal		FY2008 Fiscal		FY2008	
		YoY (%)		YoY (%)	(Estimate)	YoY (%)
New applications (millions)	1.75	71.4	1.35	77.1	2.60	76.9
New card issued (millions)	1.43	66.8	1.23	86.0	2.15	75.7
Total cardholders (millions)	25.63	106.1 (+72 thousand)	27.51	107.3 (+150 thousand)	27.60	106.1 (+159 thousand)
Active cardholders (millions)	12.85	105.8 (+36 thousand)	13.67	106.4 (+45 thousand)	14.00	105.9 (+78 thousand)
Transaction volume (¥ billion)	2,248.1	107.4	2,304.4	102.5	4,787.0	104.2
Card shopping	1,820.2	110.4	1,915.9	105.3	4,001.0	106.5
Cash advances	427.9	96.3	388.4	90.8	786.0	93.9

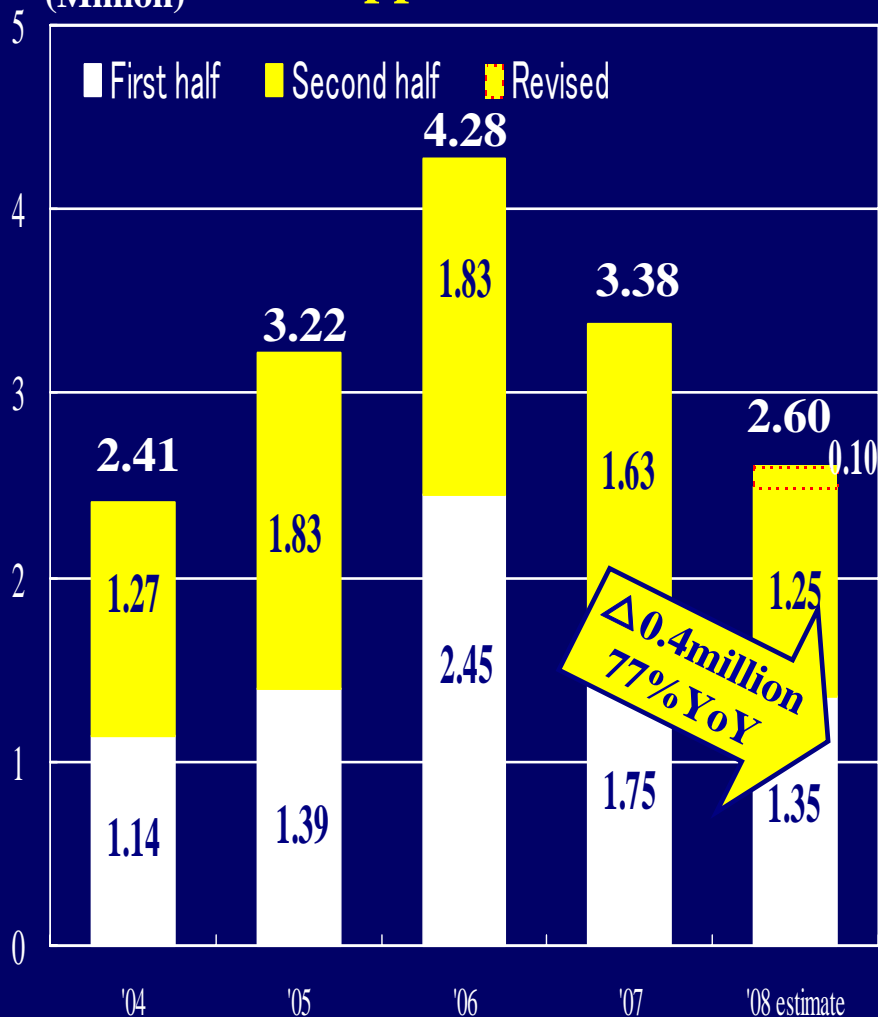
※Excluding LCS First half of FY2008

Total cardholders 26.08 million, active cardholders 13.45 million, Transaction volume 2,297.1billion (Shopping 1,911.2 billion, Cash advances 385.8 billion)

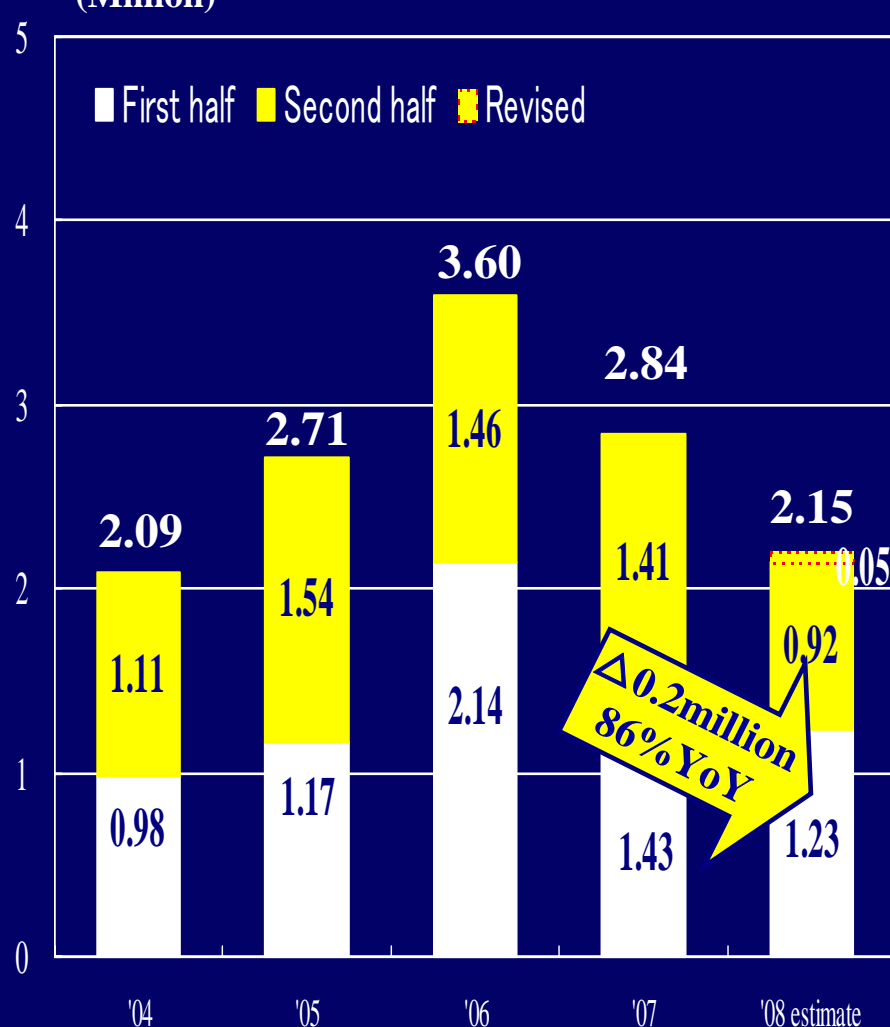
① New Card Applications & ② New Cards Issued

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

(Million) **【New applications】**



(Million) **【New cards issued】**

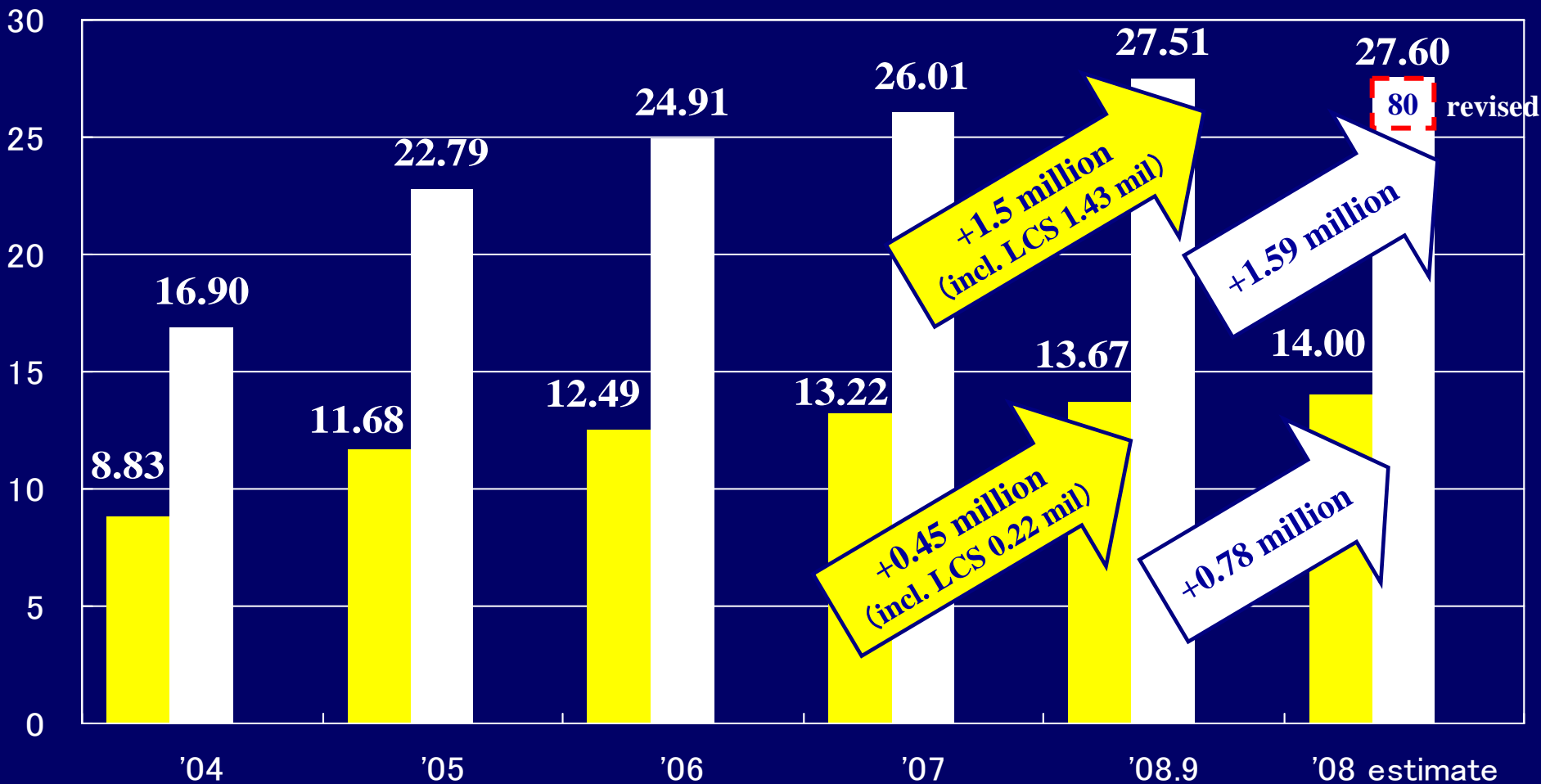


③ Total cardholders & ④ Active Cardholders

Expand total cardholders and active cardholders by consolidating Lawson CS Card Inc.

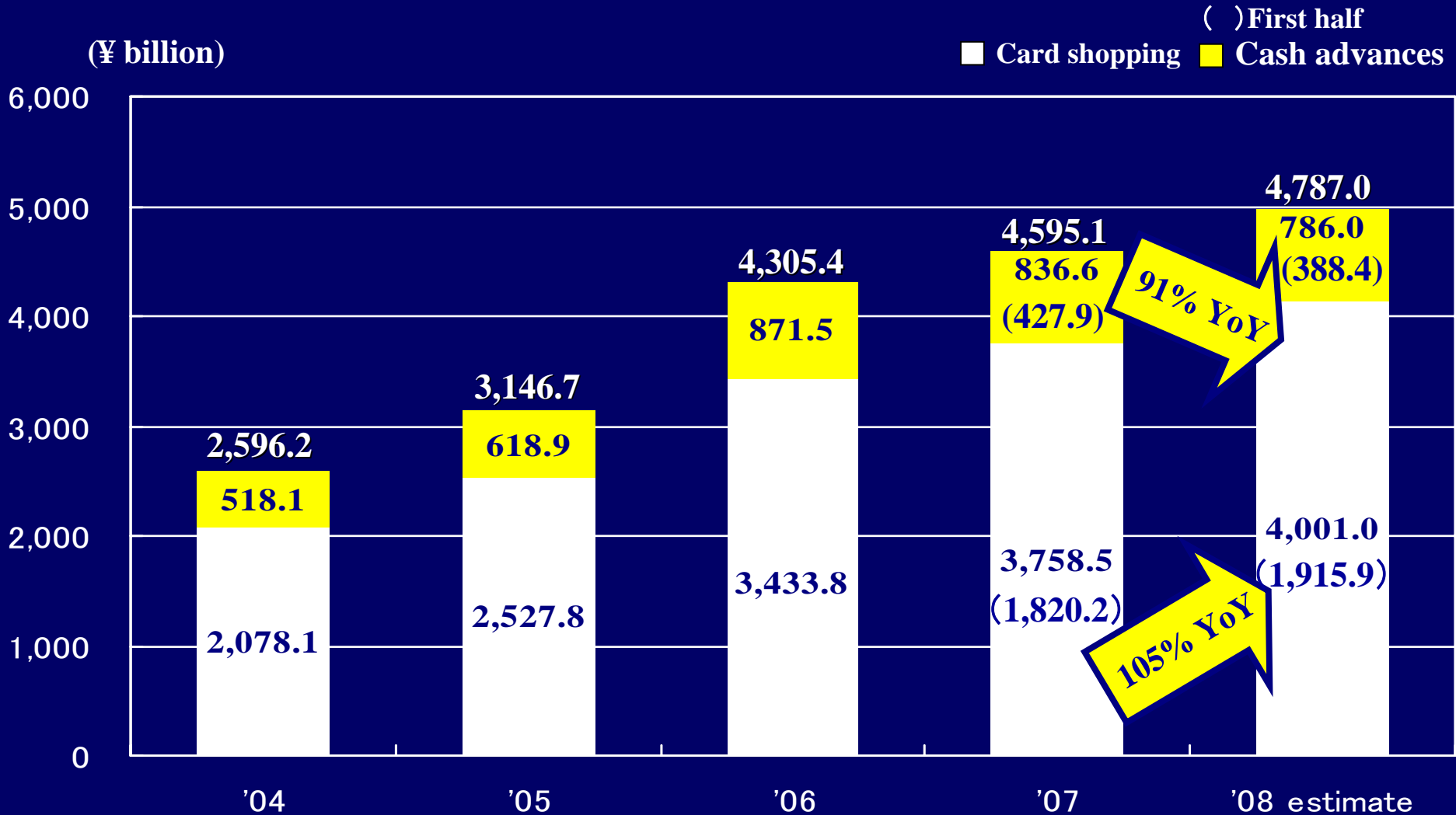
(Million)

■ Active cardholders ■ Total cardholders



⑤ Transaction Volume

Shopping and cash advances decreased below the plan due to decrease of transaction volume per customer



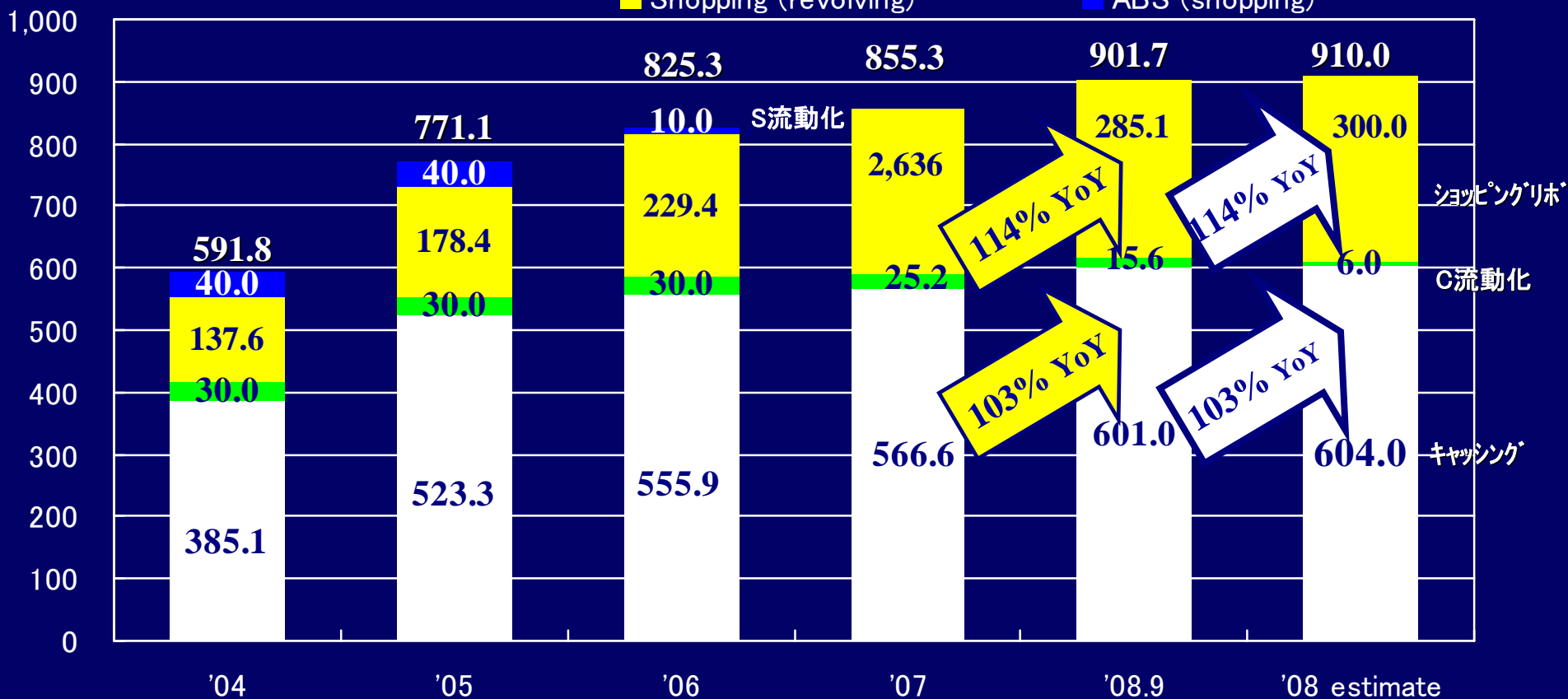
⑥ Credit Loans Outstanding

Shopping (revolving): Projected 14% increase

Cash advances: 3% increase accumulating on good credit

(¥ billion)

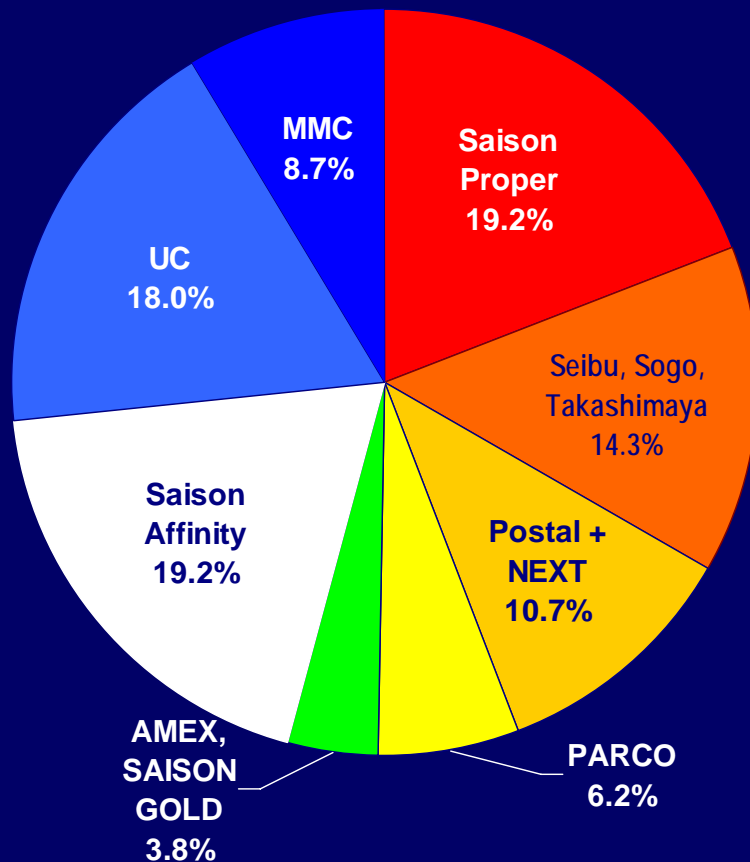
■ Cash advances ■ ABS (cash advances)
■ Shopping (revolving) ■ ABS (shopping)



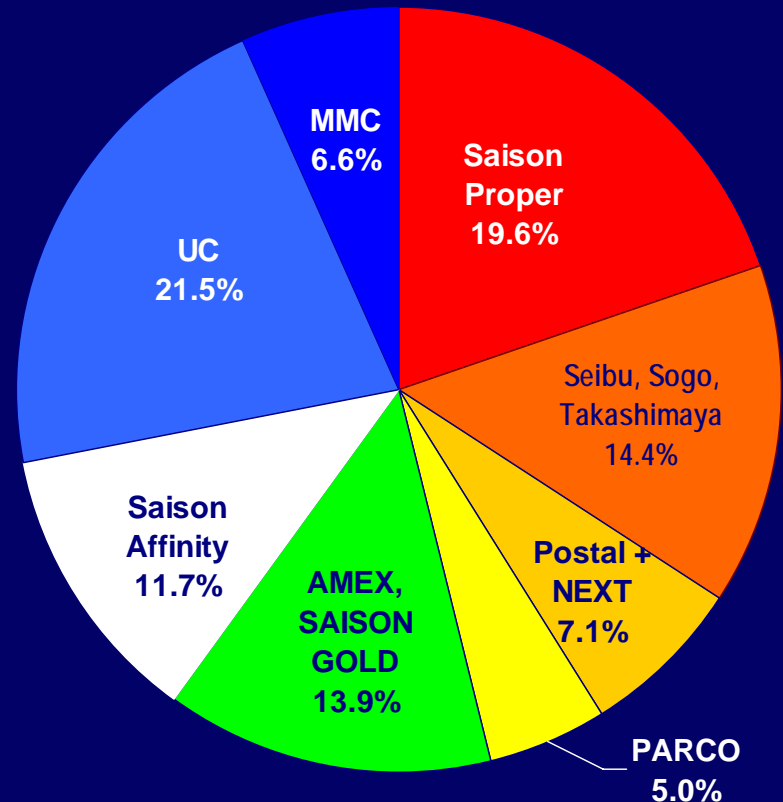
(Reference ①) Share of Cards

Fee-charging premium cards have higher transaction unit costs. UC-alliance cards (MMC, LABI, etc.) performed well, while SAISON NEXT cards were down slightly.

[Share of total cardholders]
(Total: 26,080,000)



[Share of shopping transaction volume]
(Total: ¥1,911.2 billion)



*1) Excluding LCS.

*2) SAISON GOLD includes Affinity GOLD.



Management Strategy

~ Management policy from
2nd Half of FY2008 ~



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. **Concerning the Medium-term Targets**
- IV. **Priority Policies from FY2008 2H**

*** Reference Materials**

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

(1) Economic slowdowns in Japan and overseas

- Violent fluctuations in share prices, exchange rates and product prices in extremely short cycles owing to global financial slowdown.
- Japanese economy in recession as it deals with rapid stock market decline, yen appreciation and political uncertainty.
- Shopping trends among our cardholders show less use in department stores and for higher-priced products.
- Real estate market slump having big impact on our real estate businesses.

(2) Laws and regulations, including revision of 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.
- Regulations on borrowing limits and the revision of the Installment Sales Law will constrain future business of card companies.
- Group card companies, including our company and invested companies, are responding to regulations (on the operational and system levels), and we are revising our business structure.

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

- The large-scale reorganization of the card industry, mainly involving megabanks, has generally finished, with a shift to smaller scale M&A.
- 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) Expectations of environmental and social contributions

- Enterprises are being scrutinized for their social contributions, including response to global environmental problems.
- Through our card business, we seeks to support local revitalization and environmental protection.

II. Management Indicators Based on Conditions in the Business Environment

Achieving innovation in the face of financial uncertainties and a regulation-driven slump

(1) Credit card business restructuring

- Strengthen client partnerships to further develop strategies to expand credit card shopping (revolving).
- Develop cashing/loan functions customized to customer characteristics.
- Get Qubitous up to full operational capacity and build next-stage system to enhance profitability of card business.
- Rebuild optimal model of credit card joint ventures and invested companies for each partnership.
- Cooperation in marketing with Mizuho Financial Group.
- Develop business in the Asia market.

(2) Finance business restructuring

- Review of business portfolio in finance business.
- Use diverse tools, including capital tie-ups/M&A/establishment of new companies.

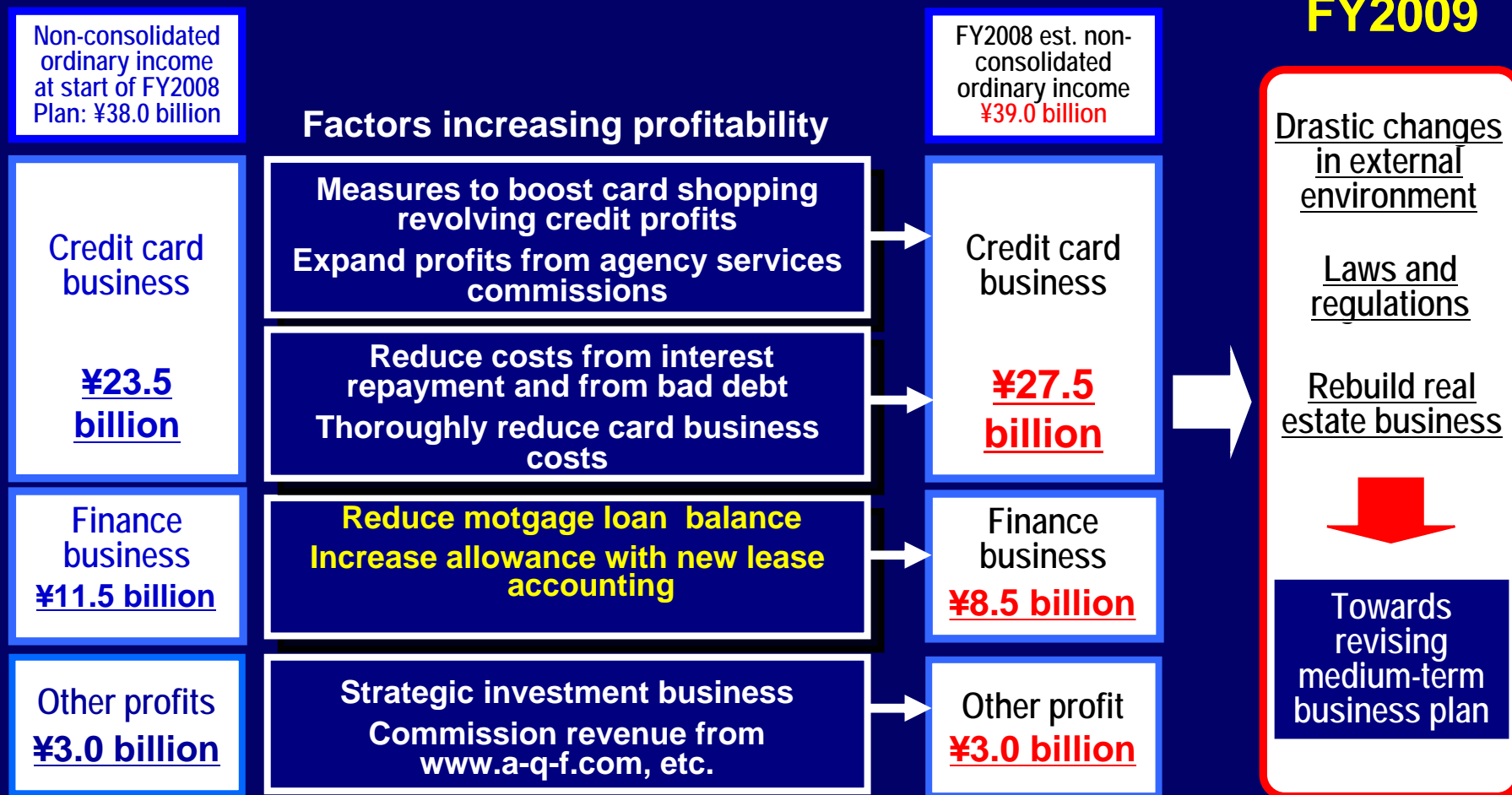
(3) Credit Saison Group business strategy

- Redefine future vision of real estate business.
- Diversify fund procurement.

(4) Develop young human resources based on medium-term management vision

III. Medium-term Business Plan

In light of an external environment undergoing drastic changes, revised laws and regulations and the current real estate business situation, the medium-term management plan established in FY2007 is in need of revision.





IV. FY2008 Priority Policies

- 1. Measures to Expand Card Business Profits**
- 2. Strategies for Growing Card Joint Ventures**
- 3. Commence operation of Qubitous, specialized processing company**
- 4. Development of Finance Business**
- 5. Take on new business challenges**
- 6. Financial Strategy: Basic Policy on Procurement**
- 7. Strengthen Group Management**

(supplement) maintaining sound asset portfolio in consolidated bases

1. Measures to Expand Card Business Profits (1)

Measures to expand profits through shopping (revolving)

① Policies to expand shopping (revolving) balance

- Expand revolving-credit sales in shops by partnering with clients (card partners, large affiliated stores, etc.).
 - * Millennium Group, Takashimaya, Parco, Yamada Denki, Mitsui Outlet Park, etc.
- Online system for changing payment from “monthly clearing” to “revolving”.
 - * Approx. 40% of total revolving balance undergoes changes to “revolving” after shopping (portion previously declared “revolving”: 30%).

Trends in shopping (revolving) balance

Sept. 30, 2007: ¥250.5 billion (up 10.5% YoY) ⇒ Sept. 30, 2008 :¥285.1 billion (up 13.8% YoY)
End of FY2007: ¥263.6 billion (up 10.1% YoY) ⇒ End of FY2008 estimate: ¥300 billion (up 13.8% YoY)

*Excluding LCS portion

Trends in share of revolving out of shopping volume

FY2007: 6.47% ⇒ First half FY2008: 6.67% ⇒ FY2008 estimate: 7.0% (up 8% YoY)

*Excluding LCS portion

② Raise revolving credit rate (planned)

- Raise general card revolving credit rate from 13.8% to 13.8 + a bit extra (planned for FY2009).

Anticipated benefit of rate raise

Subject balance approx. ¥240 billion ⇒ revenue increase of approx. ¥2.0 billion annually

1. Measures to Expand Card Business Profits (2)

Measures to expand usage of cards with high operating ratios and unit prices (for new affluent cardholders)

③ Convert high-balance users on ordinary cards to gold cards

- Encourage 1,000,000 cardholders to switch to premium membership.

④ Consider issuing new premium card together with Mizuho Financial Group

⑤ Enhance service functionality of GOLD cards

(Example) If a cardholder has multiple premium cards, we provide favorable annual fees, considering overlapping services, etc.

Use these measures to get 1 million cardholders to become new premium cardholders

Reduce costs thoroughly to enhance profitability

⑥ Eliminate cards with low operating ratios

- Change card renewal rules (stop renewals of non-active members).
- Eliminate unprofitable alliance cards.

SG&A expenses (non-consolidated)

1st half 2008: ¥103.5 billion (down 8.4% YoY)

Full year 2008: ¥212.8 billion (est. down 4.9% YoY)

⑦ Change communication tools with cardholder

- Shift to online statements, statements on postcards, etc.

Communication tool expense reduction

FY2009: est. ¥1 billion

Shopping volume ⇒ FY2008 ¥4,000 billion (up 6.5% YoY), FY2009 ¥4,500 billion (up 12% YoY)

1. Measures to Expand Card Business Profits (3)

Stepping up sales to the corporate market

⑧ Expand UC corporate card business

- Expand B-to-B (distribution card) business.
- Promote net memberships for individuals within corporations, expand use for cashing/loans.

FY2010 targets

B-to-B sales volume: ¥70 billion

Corp. individual cashing/loans: ¥10 billion

Advancement into overseas card business markets

⑨ Overseas retail finance business

- Look for business alliances with Japanese enterprises (financial institutions and large retailers) doing business in local areas (consider opportunities in China).

⑩ Form marketing partnerships with leading card companies in Asia

- Currently opening up reciprocal preferred cardholder shops with Shinhan Card Co., Ltd. (Korea) and expanding joint services (50 facilities).
- Partnerships planned with large card companies in Taiwan, Hong Kong, etc. from 2009.

Revision of Installment Sales Law

To be enforced in the 2nd half of 2009

- Credit Saison has already responded with stricter audits of members and affiliated stores.
- Not possible to forecast impact of aggregated amount limits, including comprehensive installment purchase services, until details will be decided.

1. Measures to Expand Card Business Profits (Cash advances/Loans)

Adding functionality for cardholder convenience

① New function for MMC Card and Yamada LABI Card (total 3 million cards)

- New function added for one-time cash advance payment (starting Jan. 2009).

⇒ Increase transaction volume ¥12 billion

② Enhance online cash advance function (increased flexibility of borrowing /repayment)

- Real-time increase balance ¥3 billion limits of financing (implemented Sept. 2008).

⇒ Increase balance ¥3 bn

③ Enhance ATM convenience

- Convert all terminals to ATMs (from Oct. 2008), add function for use when making deposits on UC cards (from Mar. 2009).
- Currently promoting ATM partnerships with regional banks throughout Japan, including Mizuho Bank, Ltd. and Resona Bank, Ltd.

50,000 loans
(up 28% YoY)

④ Expand card loans

- Capture new transactions, especially with “Saison Card Loan.” ⇒

⑤ Balance increased ¥32.1 billion as a result of merger with LAWSON CS Card, Inc. (Sept. 1)

⑥ Measures to be implemented from FY2009

- Add cash advance function to family cards (from June 2009).

Cash advance + loan balance *including LCS portion

At end of Q2, FY2008: ¥616.5 billion (up 2.8% YoY) ⇒ end of FY2008 (est.): ¥610 billion (up 3.1% YoY)

2. Strategies for Growing Card Joint Ventures

Credit Saison is conducting growth strategies that take advantage of each partnership's characteristics.
(LAWSON CS Card merged with Credit Saison in Sept. 2008).

Takashimaya Credit

Investment: 33.4%
Cards issued:
1.29 million

★ Despite the slow economy, GOLD and other high-level cards are doing well.

Idemitsu Credit

Investment: 50%
Cards issued:
2.76 million

★ While oil prices fluctuate sharply, Idemitsu Credit is creating a solid foundation through the service station channel.

Resona Card

Investment: 22.4%
Cards issued:
2.62 million

★ Cards serviced by Credit Saison have surpassed 1 million.

LAWSON CS Card

Merged with Credit Saison
Cards issued:
1.43 million

★ Joint cashing balance of ¥32.2 billion as of Sept. 1.

YM SAISON Card

Investment: 50%
Cards issued:
30,000

★ Solid card promotion has led to a steady increase in cardholders.

Shizugin SAISON Card

Investment: 50%
Cards issued:
90,000

★ Entetsu Card doing well. Card usage rate is up 22% YoY.

Daiwa House Financial

Investment: 40%
Cards issued:
210,000

★ Strong alliance with Daiwa House Group's Home Centers. Increase in home renovation and other high-price items.

Yamada Financial

Investment: 34%
Cards issued:
1.10 million

★ Card development robust. Usage rates increasing steadily; 700,000 new cards this term.

1st Half FY2008 Results of Card Companies with Capital Alliances

(¥billion)

	No. of cards issued	Total no. of cardholders	Transaction volume	Operating revenues	Operating income
Credit Saison (non-consolidated)	1,350,000	27,510,000	2,304.4	133.5	22.2
Idemitsu Credit 50.0% (invested Oct. 2003)	230,000	2,760,000	336.1	10.7	0.89
Resona Card 22.4% (invested Aug. 2004)	100,000	2,620,000	178.2	13.8	0.14
Takashimaya Credit 33.4% (invested Aug. 2004)	150,000	1,290,000	211.0	7.5	0.10
Yamada Financial 34.0% (est. June 2006)	320,000	1,100,000	30.3	0.43	0.14
Shizugin SAISON Card 50.0% (est. Oct. 2006)	70,000	90,000	1.7	0.13	(0.52)
Daiwa House Financial 40.0% (est. Nov. 2006)	160,000	210,000	4.4	0.04	(0.10)
YM SAISON 50.0% (est. Sept. 2007)	20,000	30,000	0.4	0.04	0
Total	2,060,000	34,480,000	3,035.8	166.14	22.85

* Transaction volume is total of card shopping and card cashing.

* Because Credit Saison is the issuer for Yamada Financial and YM SAISON cards, their figures are not included in totals of no. of cards issued, total cardholders and transaction volume.

3. Processing Company “Qubitous”

From organizational preparation to stronger marketing

- ① **Preparation of operating organization “Kansai Ubiquitous” starts up (Oct. 1)**
 - For greater efficiency, eight separate centers consolidated into Kansai Ubiquitous.
- ② **Stronger marketing expands business scope**
 - New organization for stronger marketing dept.
 - New customers captured through partnership with Mizuho Financial Group.

Kansai Ubiquitous Profile

Location: Minami-Senba, Chuo-ku, Osaka
Floor area: 8,250 m² (9 floors above ground)

Composition:

Qubitous

- Call Center (600 workers)
- Registration operations (150 workers)

Credit Saison

- Loan Center
- Kansai Branch



Card business operations productivity ⇒ <Target> 15% increase in FY2010

Building next-stage credit backbone system

- ③ **Our next-stage backbone system is being designed with Qubitous at its center**
 - A joint Credit Saison/UC/Orico authorization system started up in Mar. 2008.
 - We are currently establishing the detailed design of the backbone system and a schedule for beginning development.

4. Development of Finance Business

Expand credit guarantee and rental business, and shrink mortgage loan business

① Develop credit guarantee business

- Expand new partnerships (targeting 200 partners, currently at 169 at Oct. 31).
- Re-energize existing partnerships (contribute to building of good credit as an equal partner).

② Lease and rental business

- Actively expand rental business begun in June (with Yamada Denki Co., Ltd.).

③ Reduce finance business balance

- Continue Atrium-guaranteed mortgage loan business, but limit to small amounts.

	Start-of-term target	<Revision>	End/FY2008 est.
Credit guarantee balance	¥190 billion (up 23% YoY)		¥177 billion (up 15% YoY)
Mortgage loan balance	¥227 billion (up 3% YoY)		¥156 billion (down 29% YoY)
Lease and rental balance	¥240 billion (up 3% YoY)		¥246 billion (up 6% YoY)
Finance business operating revenues	¥39.3 billion (up 4% YoY)		¥28.2 billion (down 25% YoY) *Share of total revenue: 10.3%

5. Developing New Businesses

Strategic investment businesses directly linked to revenue

① Strategic investment

- Develop financing for enterprises that potentially synergize with our card business.
- Build a high-profit portfolio.

FY2009
profit target
¥0.3 billion

Fee business using cardholder foundation

② Advertising business using cardholder communication tools

- Use card news, web news, statement inserts.
- Develop advertising business in earnest.

③ Expand new net business with Eikyufumetsu.com

- a) Eikyufumetsu.com: 330 cardholder shops in mall, monthly transactions over ¥1.7 billion.
- b) Eikyufumetsu.com auctions: collaboration with Yahoo Auctions, double points on winning bids.
- c) Eikyufumetsu.com research: cardholders who take surveys receive points.
- d) Eikyufumetsu.com content: cardholders who download mobile content receive points.
- e) Eikyufumetsu.com click: cardholders who view advertisements sent to mobiles receive points.

FY2008
profit estimate
¥1.0 billion

6. Financial Strategy: Basic Policy on Procurement

Conduct procurement in keeping with asset structure, revenue structure and financial market environment

Dealing with liquidity risk

- ◆ Diversification of procurement means.
- ◆ Expansion of sources (financial institutions that we work with).
- ◆ Investor creation (including overseas investors, using foreign debt).
- ◆ Extend procurement time frame (more than 7 years).
- ◆ Even out payback and redemption amounts.

Interest risk control

- ◆ Duration control in keeping with asset structure.
- ◆ Hedge percentage control in keeping with business environment.

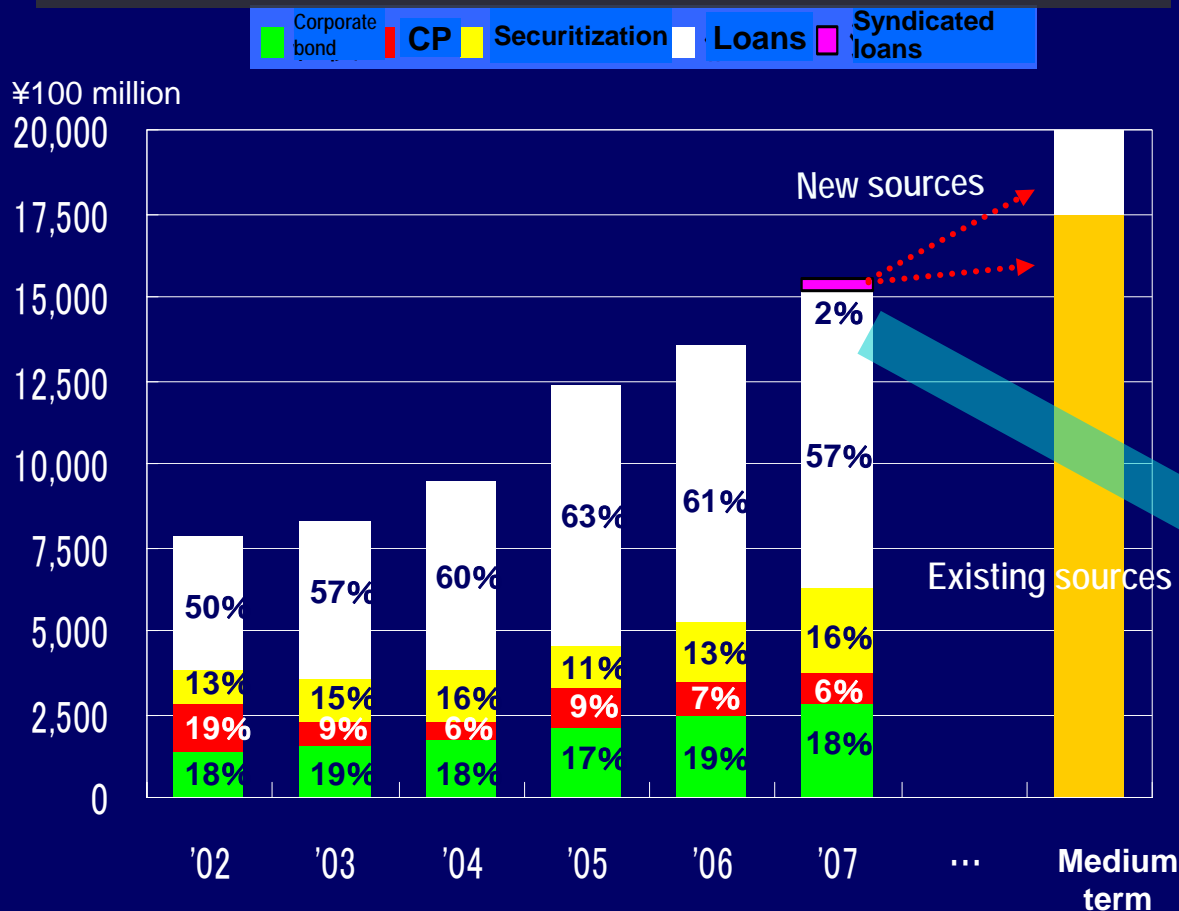
Cost control

- ◆ Proactive disclosure (Debt IR, etc.).
- ◆ Maintaining and improving ratings.

Diversification of procurement means

- Shift to a procurement structure that can deal with expansion of interest-bearing debt as the card business expands in the future
- Diversify funding procurement sources to deal with changes in the market environment

Trends in the balance and structure of interest-bearing debt



New sources

- Foreign debt
- CB
- Hybrid debt
- MTN program

Used in FY2007

- Syndicated loan

7. Group Management

Restructuring and reinforcing real estate business

① Atrium business portfolio review

- Concentrate management resources on business areas suited to future real estate market conditions (e.g. servicer business).
- Real estate collateral finance guarantee business to shrink in scale.
- The asset management business will be the main strategic investment business.

② Our supporting content and stance

- Maintain voting rights of more than 40%, continue to position Atrium Co., Ltd. as the most important consolidated subsidiary.
- Make it a goal to support and complement Atrium's finance procurement initiatives as a listed company, offer all types of management support starting with subordinated loans (Sept. 2008).
- Review Atrium's business portfolio and be actively involved in its operations.

Maintain current status of other consolidated companies' businesses

Concerto Co., Ltd.:

Return to profitability, thanks to closing of unprofitable shops and model change in previous term.

Saison Fundex Corporation:

Reduce costs from interest repayment and from bad debt.

JPN Servicer Co., Ltd.:

Develop new contracts and strengthen new business (temporary staffing), with focus on regional government tax payment guidance business.

**FY2008 contribution margin by consolidated and equity-method affiliates:
¥13.0 billion (down 40% YoY)**

Smoothly build up small-scale, dispersed finance business assets

Of Credit Saison's ¥2,900 billion in consolidated assets, more than 70% are in small-scale, dispersed form, such as finance to individuals and small leases.

Finance business assets not greatly affected by fluctuations in asset prices.

* In the finance business, there are very few fields not greatly affected by asset price fluctuations.

■ Contribution to consolidated operating income

1st half 2007

1st half 2008

Credit service business + finance business operating income
(excluding mortgage loan business)

Approx. ¥19.0 billion **Approx. ¥20.0 billion**

* Revenues declined approx. ¥7.0 billion because of a cash advance interest rate drop, but profit is up this term.

Controlling percentage of real estate business-related assets

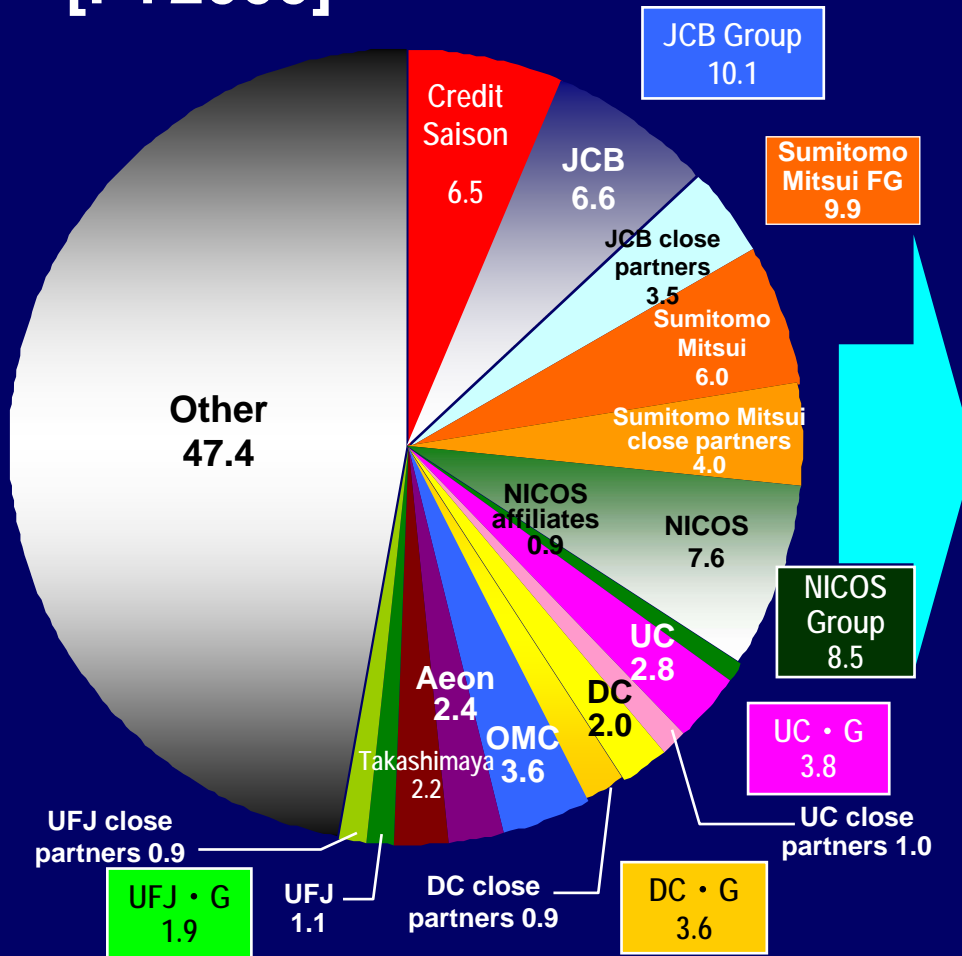
[Premise] Percentage of consolidated assets accounted for by real estate business + mortgage loan-backed assets should be less than about 20%

⇒ This is a management policy intended to absorb the volatility of real estate business asset price fluctuations with highly stable small-scale, dispersed finance business assets.

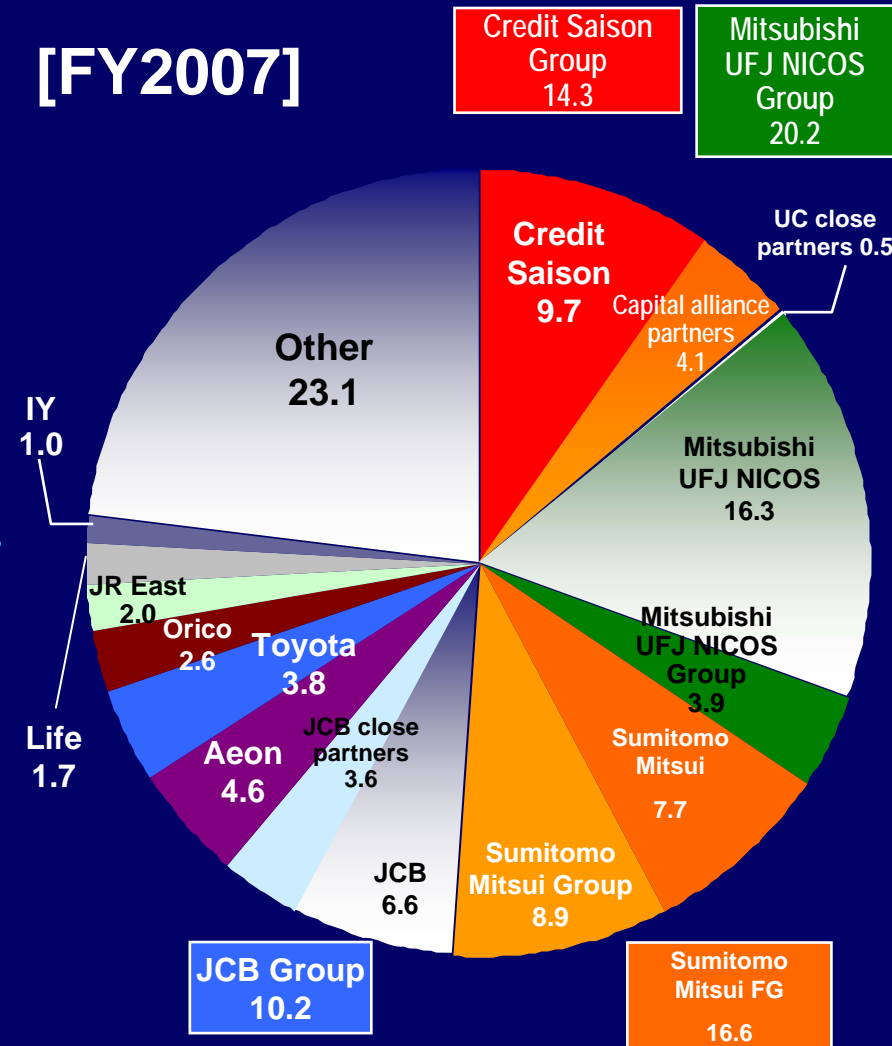
In the future, mindful of the recent volatility of the real estate business, we will review our standards for the percentage of real estate-related business assets outside of our total consolidated assets and will work to keep this under 20%.

(Appendix 1) Changes in Japanese Market Share (Shopping Transaction Volume)

[FY2000]



[FY2007]



**FY2007 transaction volume:
approx. ¥38.9 trillion**

- * Capital alliance partners: Total for Lawson CS Card, Idemitsu Credit, Resona Card, Takashimaya Credit.
- * Close partners: Companies, etc. using the brand ("Group" includes all affiliated companies, capital alliance partners and close partners).
- * Figures for Mitsubishi UFJ NICOS include data from its consolidated subsidiaries.
- * Calculated using Saison estimates.

(Appendix 2) Changes in Japanese Card Market

Mizuho Financial Group




Credit Saison


















Resona HD



Sumitomo Mitsui Financial Group



Cedyna

JY BANK ゆうちょ銀行

JCB
Future, together.
JCB

NTT DoCoMo





JR Group






Smart plus




Mitsubishi UFJ Financial Group





農林中央金庫






Other









