

# FY2010 2<sup>nd</sup> Quarter Management Report

2010.11.10





# AGENDA

- ◆ **FY2010 2nd Quarter Business Highlights**
- ◆ **FY2010 2nd Quarter Financial Report**
- ◆ **Business Strategy**
- ◆ **Current State of the Domestic Card Market  
(Reference Material)**

This report contains forward-looking statements that reflect our plans and expectation. These forward-looking statements are not guarantees of future performance and known and unknown risks, uncertainties and other factors that may cause our actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements.

# Main Topics of the First Half of 2010 Fiscal Year

- ◇ **Start of management of Akagi Nature Park (April)**
- ★ **Second donation from YM Saison Card to regions (May)**
- ◇ **Announcement of strengthening of partnership ties with American Express (June)**
- ◇ **Full enforcement of Money Lending Business Control and Regulation Law on June, 18 (June)**
- ◇ **Start of services of receiving fees, etc. from enterprises for opening shops at Yahoo (June)**
- ◇ **Entry into prepaid card business with issuance of UNIQLO Online Gift Card (August)**
- ◇ **Lift of limitations regarding services of eikyufumetsu.com to include all people over 16 (September)**
- ◇ **Contract about comprehensive business alliance with Seven & i Financial Group concluded (September)**
- ◇ **Creation of affiliated Wal-Mart Card a new card co-branded with the Wal-Mart Group (September)**

Items marked with ★ are concerning associated companies

# FY2010 2<sup>nd</sup> Quarter Financial Report

- 1. Financial Results**
- 2. Results by Business Segment**
- 3. Contributions by Consolidated Companies**
- 4. Main Indices (Non-Consolidated)**
- 5. Effects of the Full-scale Enforcement of Money Lending Business Law / Credit Risk**
- 7. Financial Indices**
- 8. Revision of Full Year Financial Forecasts**

# 1. Operating Results

(¥ billion)

		FY2009 2 <sup>nd</sup> Quarter	YoY (%)	FY2010 2 <sup>nd</sup> Quarter	YoY (%)	FY2010 (Estimate)	YoY (%)
Consolidated	Operating Revenues	156.7	91.5	145.2	92.7	285.0	92.9
	Ordinary Income	19.1	66.7	17.6	92.0	24.5	62.6
	Quarter Net Income	8.6	55.4	9.9	115.1	12.0	64.2
	Earnings per Share (¥)	47.80	55.1	54.27	113.5	65.35	63.8

Non-consolidated	Operating Revenues	131.0	98.1	122.4	93.4	241.0	93.4
	Ordinary income	16.3	73.6	13.1	80.2	21.0	62.2
	Quarter Net Income	7.3	49.7	6.4	88.9	8.5	52.7

## 2.Results by Business Segment

(¥ billion)

	Operating Revenues			Operating Income		
	FY2009 2nd Quarter	FY2010 2nd Quarter	YoY (%)	FY2009 2nd Quarter	FY2010 2nd Quarter	YoY (%)
Credit Service	126.7	118.0	93.2	12.3	6.9	56.3
Finance	15.0	15.0	98.8	3.2	5.8	181.1
Real Estate- related	8.8	5.8	65.8	1.4	(0.1)	—
Entertainment	7.5	7.1	94.4	1.1	1.0	97.1
Total	158.1	146.0	92.4	18.1	13.6	75.5
Inter-segment Transactions	(1.4)	(0.7)	—	(0.1)	(0.0)	—
Consolidated	156.7	145.2	92.7	17.9	13.6	76.1



# 3. Contribution to Consolidated Results

Ordinary income: Difference between consolidated and non-consolidated figures

	Non-consolidated	Consolidated	Difference
<b>Ordinary income</b>	¥13.1billion	¥17.6billion	¥4.5 billion

Contribution to consolidated results

Major consolidated subsidiaries	Contribution to ordinary income
<b>Atrium Group</b> - Atrium Co., Ltd. (liquidation of real estate) - Atrium Servicing Co., Ltd. (servicing business) - AIC (liquidation of real estate)	¥0.5 billion
<b>Saison Fundex Group</b> - Saison Fundex Corp. (loans) - House Planning Co., Ltd. (real estate)	¥1.1 billion
<b>Concerto Inc.</b> (entertainment business)	¥1.6 billion
<b>JPN Holdings Co., Ltd.</b> (servicing business)	¥0.2 billion

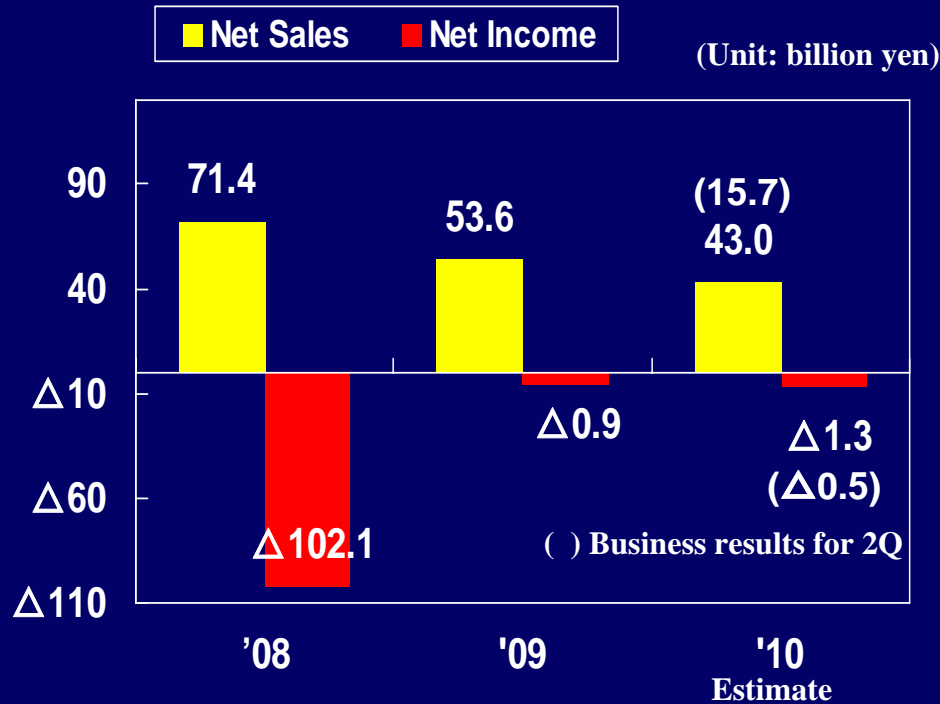
Major equity-method affiliates	Contribution to ordinary income
<b>Idemitsu Credit Co., Ltd.</b> (credit card business)	¥550 million
<b>Saison Information Systems Co., Ltd.</b> (information processing)	¥250 million
<b>Resona Card Co., Ltd.</b> (credit card business)	¥240 million
<b>Takashimaya Credit Co., Ltd.</b> (credit card business)	¥40 million

# (Reference) Progress of Atrium Reorganization Plan

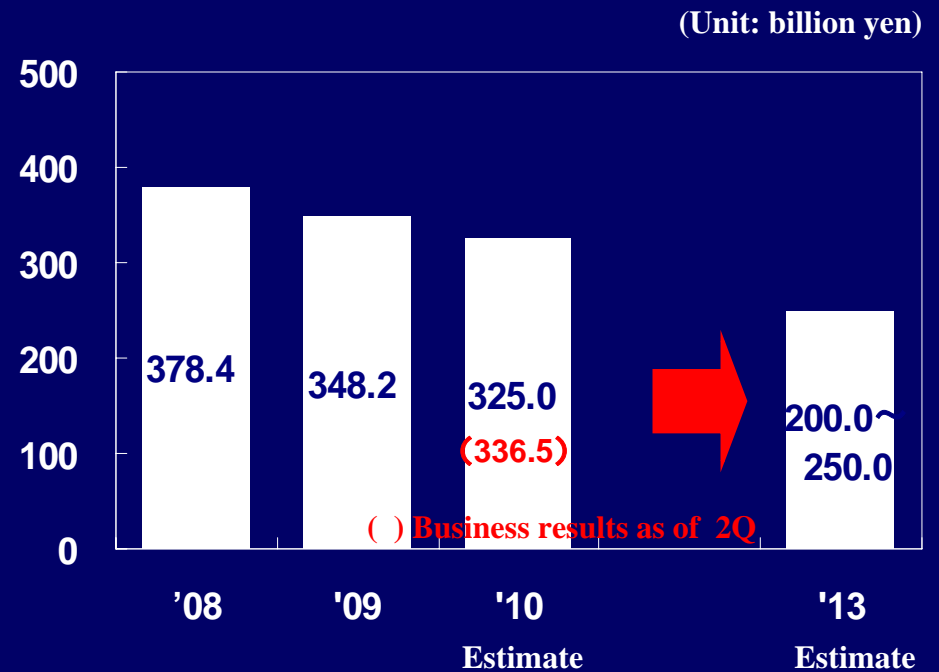
The plan of reconstruction of Atrium is progressing along as planned

- Reduction of assets is advancing favorably through sales of mainly small and medium size housing
- The results of servicing are surpassing the expectations owing to reconstruction of our network with financial institutions

## ■ Assets reduction/plan for and results of operating performance



## ■ Real estate exposure (Inventories + Guarantor's claim + Mortgage loan guarantee)





## 4. Main Indicators (Non-consolidated)

	FY2009		FY2010		FY2010	
	2nd Quarter	YoY (%)	2nd Quarter	YoY (%)	(Estimate)	YoY (%)
New Applications (millions)	1.56	115.6	1.40	89.7	3.00	98.4
New Card Issued (millions)	1.31	106.0	1.11	85.1	2.50	96.5
Total Cardholders (millions)	27.96 (+0.39)	101.6	28.38 (+0.09)	100.3	28.7 (+0.41)	101.5
Active Cardholders (millions)	14.16 (+0.25)	101.8	14.55 (+0.22)	101.6	14.8 (+0.47)	103.3
Transaction Volume (¥ billion)	2,202.6	95.6	2,170.0	98.5	4,363.0	97.8
Card Shopping	1,879.8	98.1	1,949.7	103.7	3,970.0	103.3
Cash Advances	322.8	83.1	220.2	68.2	383.0	63.4

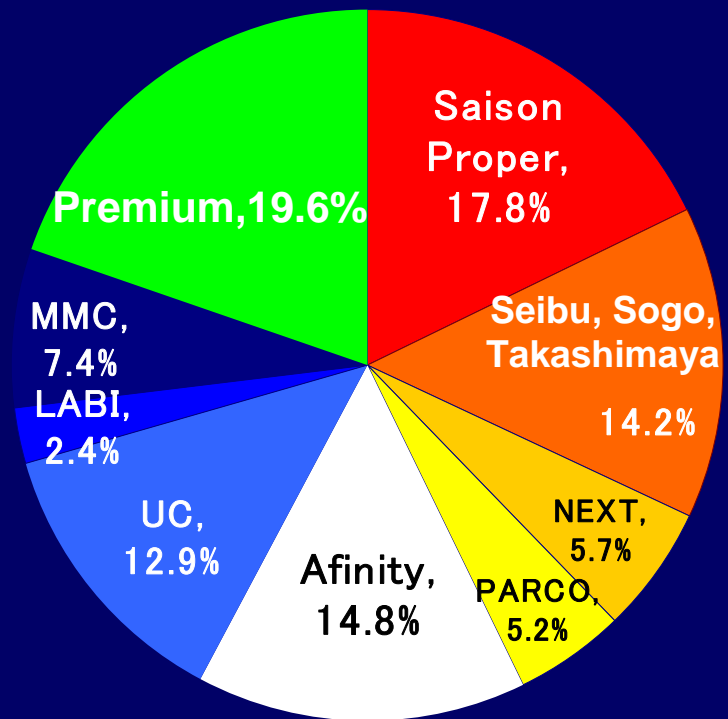
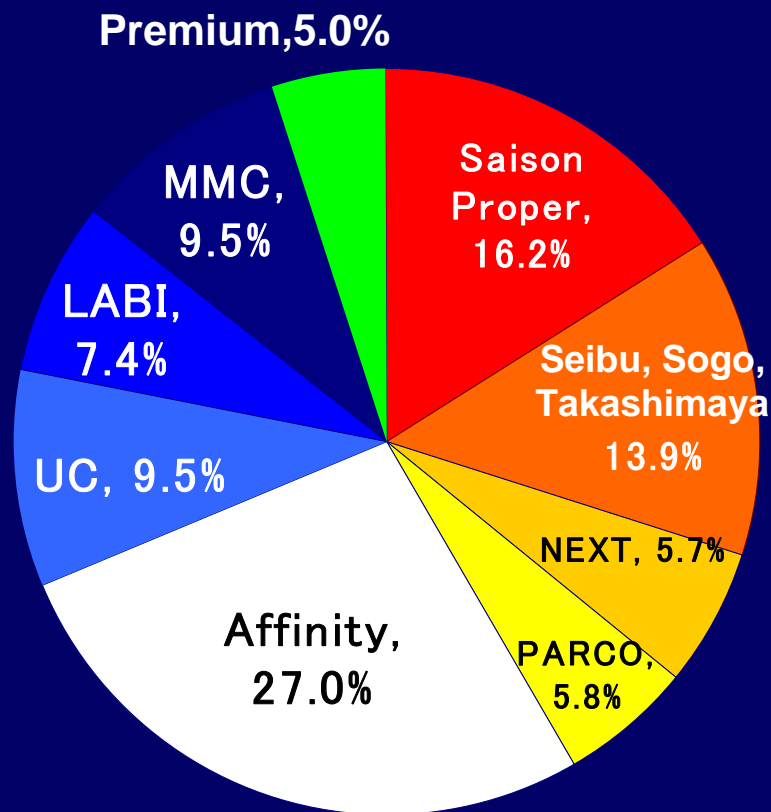
(Unit: million cards, million people, ¥ billion)

Figures in parentheses are changes from end of FY2009

# (Reference) Share of Cards

The transaction volume per card for premium cards is 5 times that of the other cards.

【Share of Total Cardholders】 【Share of Shopping Transaction Volume】



※Premium includes Saison & UC GOLD/Platinum cards and AMEX Blue cards

# 5(1) Effects of Full Enforcement of Money Lending Business Law

Effects of full-scale enforcement of Money Lending Business Law could be larger by market shrink and total lending restriction

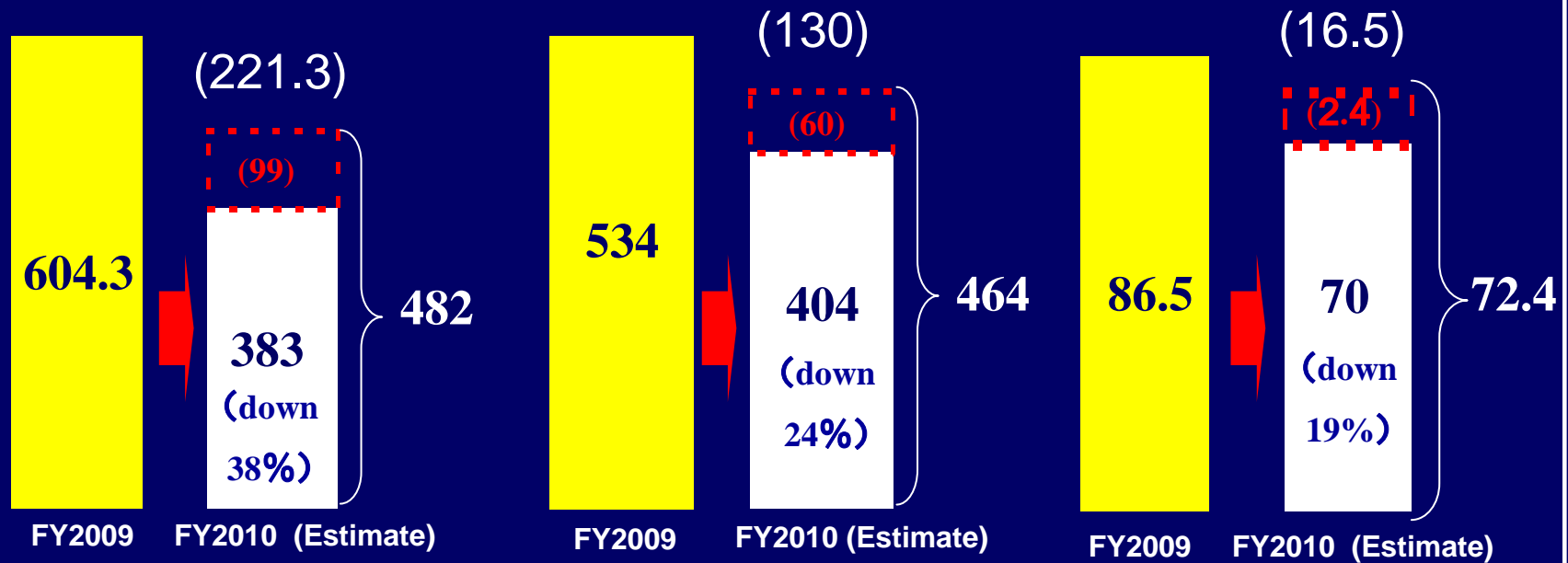
■ Revision of estimate of cash advance transaction volume, balance, and revenue decrease due to market reduction and total lending restriction

(Unit: billion yen)

【Transaction Volume】

【Balance】

【Revenue】

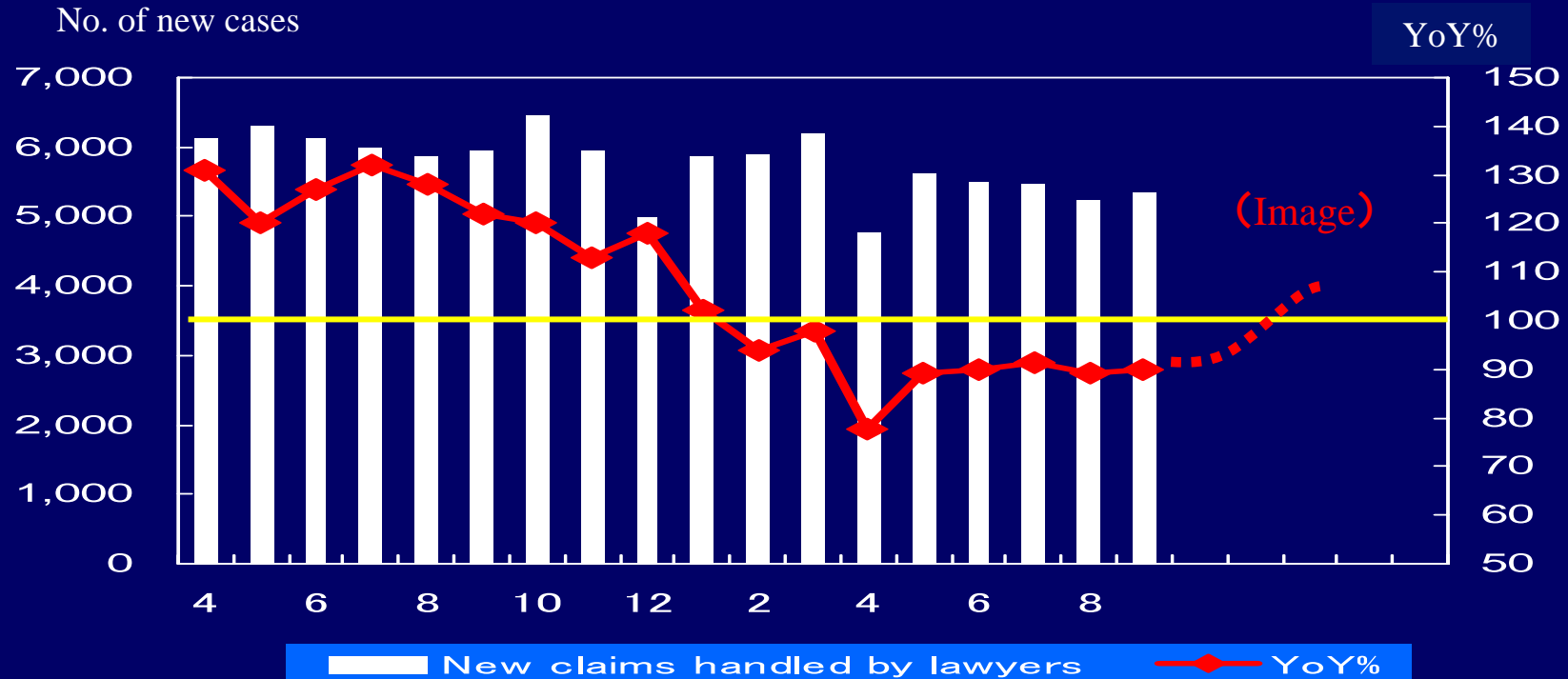


# 5(2) Forecast for claims handled by lawyers

Number of cases of the first half calmed down and dropped to about 10% from the previous year

There was an increase in the latter half of the year influenced by total lending restriction and applications for applicability of the Corporate Reorganization Act among the major consumer financing companies

## Trends in new interest repayment of claims handled by lawyers



An additional 8 billion yen provision was made against the risk of future generation of loss on interest repayments

## 5(3) Credit cost/Provision for loss on interest repayment

Reduced credit cost total., keeping the level of the provision for loss on interest repayment

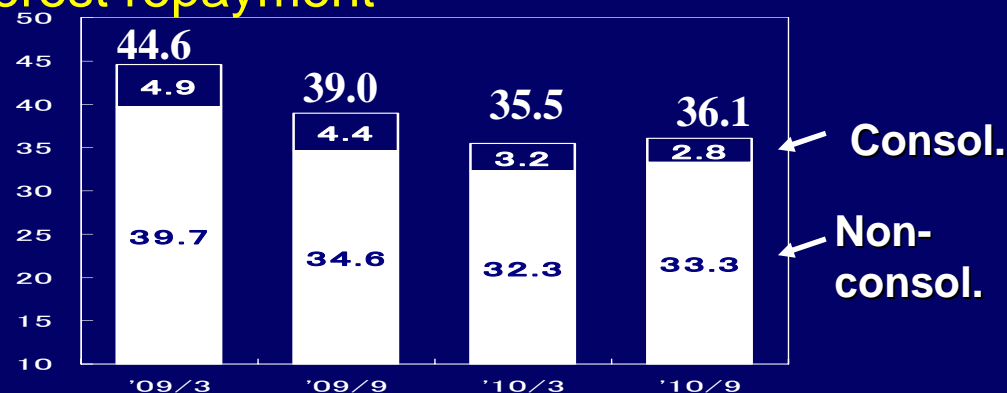
### Credit cost results and estimate

(Unit: billion yen)

	2 <sup>nd</sup> Quarter		Full Year Estimate		
	Initial Estimate	Revised Estimate	Difference		
Credit Cost	33.1		65.0	63.0	(2.0)
Interest Repayment Cost	Results 1.8 + Provision added 8.0	9.8	4.6	13.2 (Including provision added 8.0)	+8.6

### Trend of provision for loss on interest repayment

2 <sup>nd</sup> Q Results	Non-Consol.	Consol.
Reversal	(8.8)	(9.5)
Provsion	+9.8	+10.1
Balance increase	+1.0	+0.6



## 6. Financial Indices

(¥ billion)

	Consolidated		Non-consolidated	
		change from end of FY2009		change from end of FY2009
<b>Shareholders' Equity</b>	<b>339.7</b>	<b>+0.7</b>	<b>316.8</b>	<b>(2.8)</b>
<b>Total Assets</b>	<b>2,321.9</b>	<b>(52.1)</b>	<b>2,155.2</b>	<b>(45.1)</b>
<b>Shareholders' Equity Ratio</b>	<b>14.6%</b>	<b>+0.3%</b>	<b>14.7%</b>	<b>+0.2%</b>



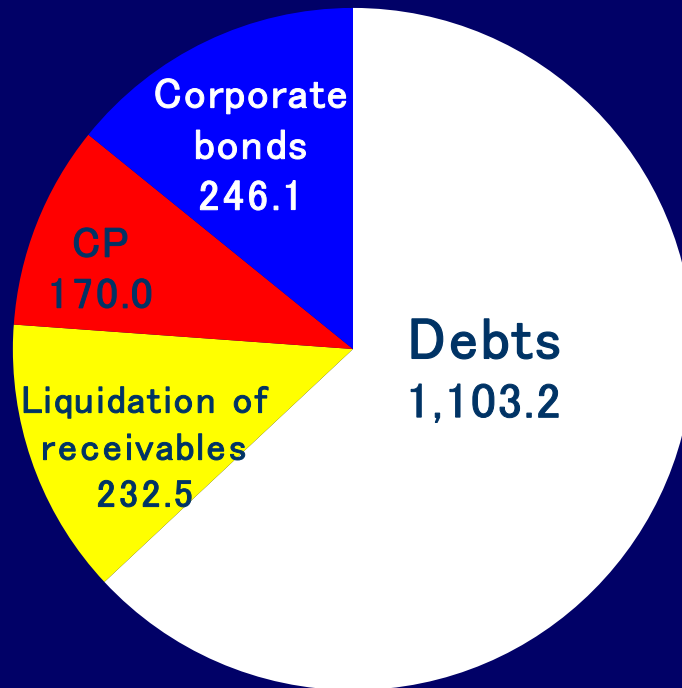


# (Reference) Fund Structure

(Unit: billion yen)

【Consolidated】

Total Balance:  
**1,751.8**



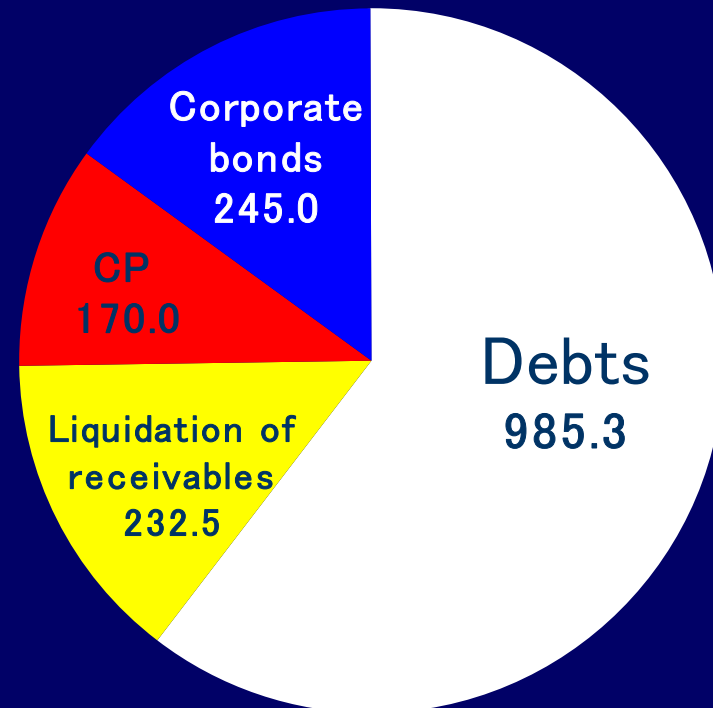
Long Term Ratio :74%

【 Rating 】

**R&I A+**

【Non-consolidated】

Total Balance:  
**1,632.9**



Long Term Ratio :75% Fixed Ratio:62%  
Direct Ratio :40%

## 7.Revision of full year financial estimate

		Initial Estimate (Published on May 14) (A)	New Estimate (B)	Difference (B-A)	Reasons for the revision
<b>Consolidated</b>	<b>Operating Revenues</b>	288	285	(3)	<ul style="list-style-type: none"> <li>· Cash advance revenues decreased due to restriction of total lending</li> <li>· Risk asset control will reduce credit cost initially estimated by 2 billion yen</li> <li>· Reduction of procurement cost by about 1 billion yen</li> </ul>
	<b>Ordinary Income</b>	21	24.5	+3.5	
	<b>Net Income</b>	9	12	+3	
<b>Non-consolidated</b>	<b>Operating Revenues</b>	244	241	(3)	
	<b>Ordinary Income</b>	18	21	+3	
	<b>Net Income</b>	6.5	8.5	+2	



# Business Strategy

- I . **Business Strategy of our company**
- II . **Priority Policies, FY2010 Second Half**

## Competitive advantages and characteristics of our company

### **(1) Customer base of 35 million people**

Creditability with 35 million people with two brands of SAISON and UC including agency services for joint venture companies.

A customer base with highly valuable operation performance, attributes, areas, and spending habits

### **(2) Affiliation network**

An alliance network encompassing a range of top-rated companies and crossing the boundaries of industrial groups, including companies in such industries as distribution, finance, communication, transportation, and various service industries

### **(3) Marketing at the retailer's spot**

Bright and vigorous on-site marketing mainly performed by females that is best represented by our "integrated with retailing" Saison counters

# I . Credit Saison Business Strategy

## ■ Credit card business

Prior investments aiming at medium- and long-term profit increases, such as strengthening of membership base and transaction volume

- Stable expansion and development of cards based on business sites
- Implementation of measures aiming at expansion and development of the transaction volume of shopping revolving repayment
- Implementation of measures aiming at expansion and development of the cashing service transaction volume
- Measures aiming at expansion and development of the American Express brand
- Strengthening of membership base and transaction volume by strengthening of affiliation with large-scale retail companies

## ■ Income-generating activities utilizing the WEB

Strengthening of the net business profits by reinforcement of services offered at [eikyufumetsu.com](http://eikyufumetsu.com)

- Strengthening of profits gained from affiliation, profits from advertising, etc.
- Strengthening of the internet card holder base through affiliation with leading online companies
- Cost reduction by further utilization of internet –based detailed statements system

## ■ Financial business

Construction of the new revenue base by expansion of and development in the lineup of new products

- Expansion and development of the rental business
- Sales promotion of 'flat 35'

## Achievement of the Structural Reform and of the Innovations

- |                                     |  |
|-------------------------------------|--|
| <b>(1) Branch Network</b>           | <ul style="list-style-type: none"><li>(1) Business with corporations (corporate cards, lease and rental)</li><li>(2) Agent functions (cultivation of affiliated stores)</li><li>(3) Area marketing (expansion in allied shop numbers)</li></ul>                        |
| <b>(2) Saison Counters</b>          | <ul style="list-style-type: none"><li>(1) The partners are given the initiative of house card new application</li><li>(2) Card change / recruitment of net members</li><li>(3) Insurance sales, personal lease of housecleaning, etc.</li></ul>                        |
| <b>(3) Application of New Cards</b> | <ul style="list-style-type: none"><li>(1) Expansion into the Internet</li><li>(2) Introduction of Tablet PC</li><li>(3) Strengthen the mobile business</li></ul>   |
| <b>(4) Internet-based business</b>  | <ul style="list-style-type: none"><li>(1) Eikyufumetsu.com opened to non-cardmember</li><li>(2) Functional diversification of collaboration with Internet-based companies</li><li>(3) Mutual use of each other's members with highly competitive net company</li></ul> |
| <b>(5) Card Functions</b>           | <ul style="list-style-type: none"><li>(1) Promotion of combination of original card + affiliated house card</li><li>(2) Cash advance/ loan functional specialization</li><li>(3) Establishment of settlement platform based on credit card</li></ul>                   |



**(6) Competitive advantages**

- (1) New Saison American Express Card
- (2) Wal-Mart Card Saison
- (3) Establishment of joint venture company with 7&I group

**(7) Shift into multi financial business**

- (1) Reform and expansion of credit guarantee business
- (2) Innovation of mortgage-backed lending business/ flat 35
- (3) Creation of strategy investment business

**(8) Billings**

- (1) Abridgment of mailing of written claims and card news
- (2) Internalization of settlement network
- (3) Internalization of credit transfer work

**(9) Collection**

- (1) Adoption of NET-ATM payments
- (2) Revision of economic requirements for convenience store payment
- (3) Entrusted businesses other than credit card business

**(10) System development**

- (1) The system of joint base (three-company joint investment)
- (2) Reduction of processing cost
- (3) Elimination of paper

**CSR (Environmental Philanthropy)**

- (1) Preparation of organization for management of Akagi Nature Park
- (2) Soliciting of point contribution to Akagi Nature Park
- (3) Collaboration with the region

## II . Action Plans for the second half of 2010

### Expansion and development of cards and shopping transaction volume

#### ■ Stable expansion and development of the number of cards (3 million)

- Selection of the products for expansion and strengthening according to profitability of each card
- Strengthening of expansion and development of the American Express Card
- Improvement in the efficiency of expansion and development by strengthening of affiliation with partners

#### ■ Expansion of shopping transaction volume

##### ▪ Affiliation with large-scale retail companies

Implementation of All Saison & UC Card Preferential Treatment Campaign in cooperation with affiliated department stores, general merchandise stores, etc.

##### ▪ Area revitalization projects

Development of policies to send customers to areas by trans-industrial campaigns in the major cities and tie-ups with prefectures

##### ▪ Expansion of shopping revolving repayment transactions handled

① Offering of revolving repayments on bulk purchases at large-scale affiliated retail shops, Saison counters, etc.

② Offering of future revolving repayments for internet card holders by e-DM or out bound calls (telephone)

**[Revolving balance target for the 2010 fiscal year] 300 billion yen (+0.6% YbY)**

## Affiliation strategy (1) Strengthening of affiliation with American Express (started from July, 2010)

### ■ Strengthening of status cards (with annual fees)

#### ▪ Modification of card design

Issue of four types of cards using the image of centurion (Commander of a company of 100 soldiers in the Roman Empire) which is the symbol of American Express. This way we are effecting a differentiation strategy integrating the brand image (status) of American Express on one hand and Saison on the other.

#### ▪ Strengthening of the card services

New strengthening of the card services related to trade and exchange to achieve the service level worthy of the annual fee. (Refer to the following page for the outline of the services.)

#### ▪ Establishment of an overwhelming market share

Establishment of an overwhelming No1 status in Japan with American Express brand.

**[FY2014 target] Achievement of shopping transaction volume of 1 trillion yen  
(470% of the 2009FY) with American Express brand**

# Saison American Express® Card

〔Main services〕 ★...NEW

## Saison Platinum American Express® Card



Annual fee:  
21,000 yen  
(including tax)

Permanently usable points (1,000 yen = one point / indefinite term):  
2 times in foreign countries / 1.5 times in Japan  
Concierge service: operating 24 hours 365 days a year  
Priority pass: free registration (usual annual fee is 399 U.S. \$)  
**Free baggage delivery service: offered for both ways★**  
**Premium golf service: 10,500 yen annual fee★**  
**Preferential treatment: Premium hotel privilege★** / entree / SELECTS  
Travel service bases (more than 140 countries): available  
On-line protection: reimbursement provided

## Saison Gold American Express® Card



Annual fee:  
10,500 yen  
(including tax)

Permanently usable points (1,000 yen = one point / indefinite term):  
2 times in foreign countries / 1.5 times in Japan  
**Priority pass: registration system (separate expenses to be paid)★**  
**Free baggage delivery service: offered for both ways★**  
Preferential treatment: SELECTS  
Travel service bases (more than 140 countries): available  
On-line protection: reimbursement provided

## Saison Blue American Express® Card



Annual fee:  
3,150 yen  
(including tax)

Permanently usable points (1,000 yen = one point / indefinite term):  
2 times in foreign countries  
**Free baggage delivery service: offered for both ways★**  
Preferential treatment: SELECTS  
Travel service bases (more than 140 countries): available  
On-line protection: reimbursement provided

## Saison Pearl American Express® Card



Annual fee: 1,050 yen  
(including tax)  
First year is free of charge;  
after the 2nd year it is  
free of charge with conditions.

Annual fee: if used at least once a year, the subsequent year is free of charge  
Permanently usable points (1,000 yen = one point / indefinite term):  
2 times in foreign countries  
Preferential treatment: SELECTS  
Travel service bases (more than 140 countries): available  
**On-line protection: reimbursement provided★**

## Affiliation strategy (2) “Comprehensive business alliance with Seven & i Financial Group

### ■ Conclusion of a comprehensive business alliance agreement (September 10, 2010)

#### ▪ Acquisition of joint venture status for the affiliate card issuer enterprise of our company, SOGO, and Seibu

① Establishment on September 17, 2010, of Seven CS Card Service, Inc., a preparatory company with 100% of investment done by our company

Representative Director and President: Toshiharu Yamamoto (Credit Saison)

② The credit card business concerned will be taken over by this preparatory company by absorption-type split on (as the plan goes) April 1, 2011, and start operating as a joint corporation. (Equity-position 7&i 51; Saison 49)

#### ▪ Development of credit card business at Seven & i Holdings

① Integration of credit-card business with the Seven Card Service, Inc. (planned to be completed before March, 2013)

② Introduction of common points to be used together with Seven & i Holdings (details are to be examined in the future)

Strive to become a financial services company playing its part in customer marketing centering on credit cards among the larger entity of Seven & i Holding which provides multilayered services of electronic money and point services.

[Future target] Number of members: 10 million / shopping transaction volume: 2 trillion yen

## Affiliation strategy (3) Strengthening of affiliation with Wal-Mart (starting from September, 2010)

### ■ The objective of issuing Wal-Mart Card Saison

#### ▪ Reexamination of affiliation strategy

##### ① Contribution to customer strategy of Wal-Mart Japan and Seiyu

Improvement in the number of new customers and the number of articles purchased by strengthening of EDLP (Everyday Low Price).

##### ② Employment of customer marketing

Utilization of the card as a marketing tool that puts to practical use customer data and information about purchases.

##### ③ Improvement in name recognition of Wal-Mart brand in Japan by modifications in card design

#### ▪ Expansion of sales and profits by conversion into first card

Promoting the change into the main card by raising the frequency the card is used in the supermarkets, where people purchase their daily necessities, thus aiming at an increase of profits for both companies.



#### [Marketability]

- No annual fee
  - 1% discounts in any Seiyu store in the country on any day and 5% discounts on the 5th and the 20th of every month
  - Permanently usable points = one point for every 1,000 yen (2 points for every 1,000 in foreign countries)
- ※Points are given for use in Seiyu stores on the 5% discount purchases on the 5th and 20th (on other days no points are given)





## Net strategy: lifting the restrictions regarding services to allow use of permanent points to members other than of Saison and UC (starting from September, 2010)

### ■ Allowing use of permanently usable points through use of eikyufumetsu.com (net shopping mall)

- Anyone over 16 can now use eikyufumetsu.com (internet card holder registration required) and collect permanent points.
- Integration of all services related to permanently usable points, which have previously been operated at other sites, at one site of eikyufumetsu.com  
(eikyufumetsu research, eikyufumetsu auction, eikyufumetsu contents, eikyufumetsu walker, search, etc.)

### ■ Ample selection of items permanent points can be exchanged with for internet card holders

- Appropriation of points for payments of monthly card shopping
- Exchange with Amazon gift certificates (electronic gifts) and Web Money

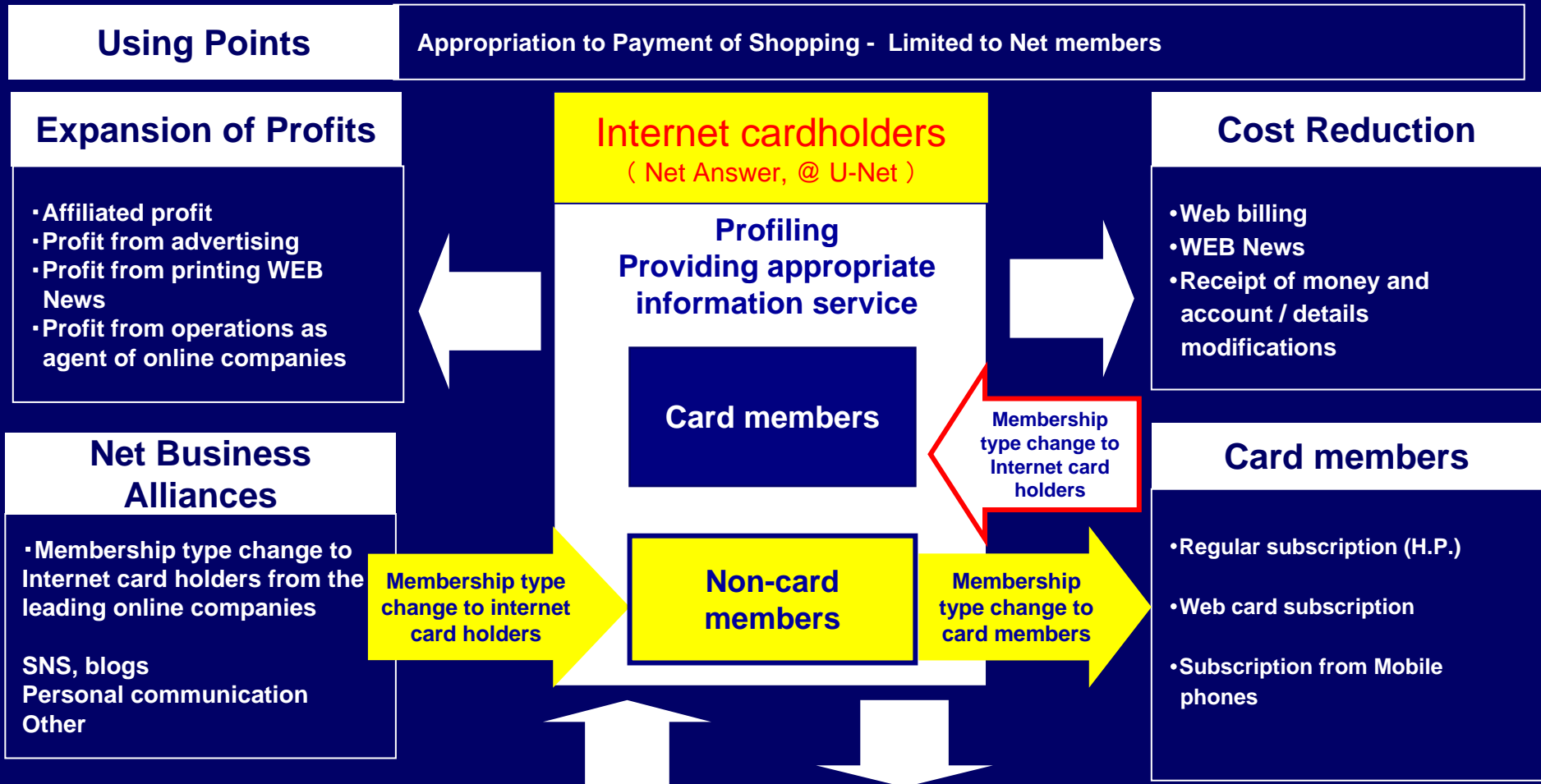
### ■ Expansion of the number of internet card holders by affiliation with leading online companies

- Mutual exchange of all customers with Moba-ge Town (DeNA) (starting from November), and GREE (starting from December)

[Target for the 2012 fiscal year]

- Internet card holders: 10 million (business result for the 2009 fiscal year was 4,260,000)
- Transaction volume of eikyufumetsu.com: 120 billion yen (business result for the 2009 fiscal year was 27 billion yen)
- Contribution margin: 7 billion yen (business result for the 2009 fiscal year was 1,2 billion yen)

# [Reference] Schematic of Internet Business



eikyufumetsu.com —Site integration of services related to eikyufumetsu—



## Cost control: "7 billion yen cost reduction through structural reform of the enterprise"

### ■ Billing cost (▲ reduction of ¥ 2 billion )

- Web details expansion, promotion of postcard-type detailed statements, 25g weight saving for letters, etc.

### ■ Expansion related cost (▲ reduction of ¥ 1.2 billion)

- Selection of new denominations for expansion, revisal of requirements for affiliation, abolition of receipts of money at the counters, etc.

### ■ Enhance efficiency of processing (▲ reduction of ¥ 1.3 billion )

- Improvements of various duties, reduction of EDP expenses

### ■ Point expenses (▲ reduction of ¥ 0.5 billion)

- Promotion of exchange, unit price reduction

### ■ General cost reduction (▲ reduction of ¥ 2 billion)

- Tightening of cost effectiveness, foreign news unit price negotiation, other costs reduction



## Lease & rental enterprise "Massive expansion of rental business"

### ■ Expansion of rental business

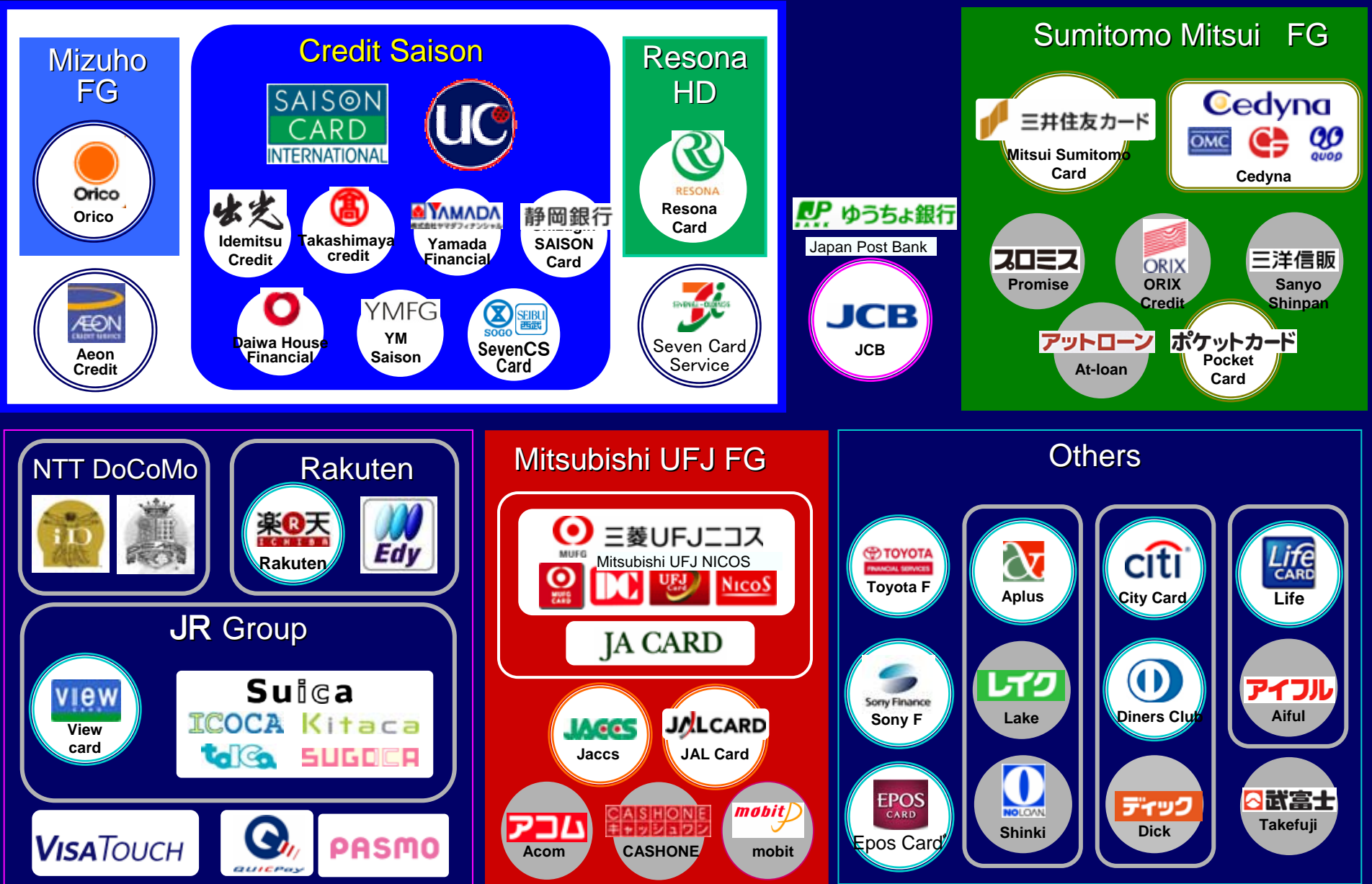
- Expansion into the industry of home electronics rental (with its future demand for digital terrestrial broadcasting) - an industry we have not yet tried ourselves in (medical facilities, homes for the aged, nursing homes, weekly and monthly apartments, etc.)
- Development of ECO-related products centering on those in demand due to Law concerning the Rational Use of Energy (LED, electrically assisted bicycles, etc.)
- New development of personal rental businesses

## Loan enterprise "Strengthening of profits by expansion of flat 35"

### ■ Expansion of flat 35

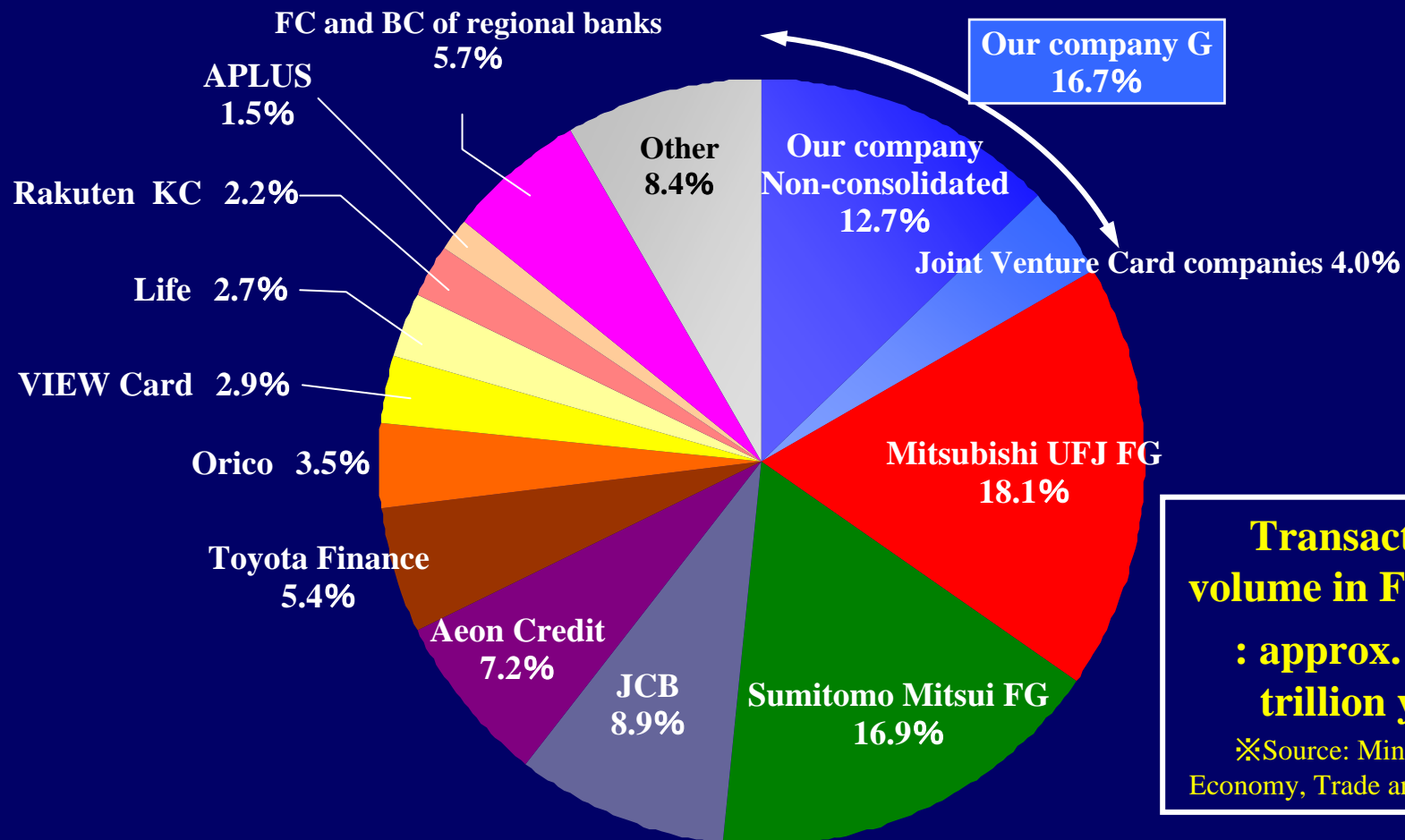
- New implementation target for FY2010: 2,000 subscriptions (+1,500 subscriptions YoY)
- Focusing our operating energy on achieving 80% ratio of clients received from partners
- Utilization of Japan Association of Home Suppliers
- Promotion of new house offers
- New product release of "flat Tsunagi"

# (5) Reorganization of the Domestic Credit Card Industry



# (Reference) Domestic market share (shopping transaction volume)

## ■ Card shopping transaction volume (issuer base) [2009 fiscal year]



**Transaction volume in FY 2009 : approx. 30.2 trillion yen**  
 ※Source: Ministry of Economy, Trade and Industry

※Calculated by our company's independent estimation methods on the basis of each company's officially announced calculations, etc.  
 ※As a rule numbers are given for each company on non-consolidated basis (excluding overseas card members); both FC and BC of all brand companies (more than 120) are calculated as "FC and BC of regional banks"  
 ※Investment destinations of our company: Idemitsu Credit, Resona Card (a part of the Saison brand), Takashimaya Credit, Shizuoka Bank Saison Card, Daiwa House Group