

FY2012 2nd Quarter Management Report



November 9, 2012
CREDIT SAISON CO., LTD.



AGENDA

- ◆ **FY2012 First Half Business Highlights**
- ◆ **FY2012 First Half Financial Report**
- ◆ **Medium-Term Management Strategy/
Priority Policies, FY2012 Second Half**
- ◆ **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 2012 Fiscal Year

- Apr. ◆ The Company begins handling “Flat 35 Plus”, housing loan packages.
↳ In addition to Flat 35 long-term fixed rate housing loans, the Company offers financing for the 10% not covered by this program.
- ◆ The Company establishes new Atrium Co., Ltd., as a wholly owned subsidiary.
- ◆ Entertainment Plus Inc., the company that operates the e+ online ticketing service, is included in the companies affiliated with Credit Saison accounted for by the equity method.
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- Jun. ◆ The Company establishes a representative office in Hanoi, the capital of Vietnam.
↳ This action marks the start of the Company’s overseas business in earnest.
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- Jul. ◆ The Company issues 10 billion yen of unsecured corporate bonds, aimed at individual investors.
- ◆ TV commercials for eikyufumetsu.com, a website offering easy bonus points, are launched.
↳ The Company begins promotions to expand eikyufumetsu.com’s transaction volume.
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- Aug. ◆ The Company conducts a proving test of O2O with Yahoo! Japan in Tokyo’s Ikebukuro district.
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- Sep. ◆ Atrium is spun off from the Company, with its retained business’s assets transferred to the new company.



FY2012 First Half Financial Report

- 1. Financial Results**
- 2. Revision of Full Year Financial Forecasts**
- 3. Results by Business Segment**
- 4. Contributions by Consolidated Companies**
- 5. Progress of the business of real estate business (Atrium Co., Ltd.)**
- 6. Main Indices (Non-Consolidated)**
- 7. Trends of the Cash Advance Business**
- 8. Credit Risks (Uncollectible Receivables/ Interest Repayment)**
- 9. Financial Indices**

1. Financial Results

(¥ billion)

		FY2011 2 nd Quarter	YoY (%)	FY2012 2 nd Quarter	YoY (%)	FY2012	YoY (%)
Consolidated	Operating Revenues	127.5	87.8	122.4	96.0	246.0	100.8
	Ordinary Income	24.9	141.7	27.9	111.9	51.0	132.2
	Quarter Net Income	17.5	176.7	17.6	101.1	30.5	322.6
	Earnings per Share (¥)	95.37	175.7	96.38	101.1	166.09	322.6

Non-consolidated	Operating Revenues	105.4	86.2	101.8	96.5	206.0	98.0
	Ordinary income	20.2	154.2	21.8	107.9	41.5	101.2
	Quarter Net Income	13.6	210.5	13.2	97.0	23.5	418.6

2. Revision of Full Year Financial Forecasts

(¥ billion)

		Estimate (Published on May 16) (A)	New Estimate (B)	Difference (B-A)	Reasons for the revision
Consolidated	Operating Revenues	250.0	246.0	(4.0)	【Consolidated revenue factor】 ▪ In tandem with the reorganization of the Real Estate segment, the losses related to withdrawal business are appropriated as non-operating losses.
	Ordinary Income	50.0	51.0	+1.0	
	Net Income	29.0	30.5	+1.5	
Non-consolidated	Operating Revenues	206.0	206.0	±0.0	【Consolidated income factor】 ▪ Business results from our affiliated companies accounted for by the equity method was higher than expected.
	Ordinary Income	41.5	41.5	±0.0	
	Net Income	23.0	23.5	+0.5	

3. Results by Business Segment

(¥ billion)

	Operating Revenues			Operating Income		
	FY2011 2nd Quarter	FY2012 2nd Quarter	YoY (%)	FY2011 2nd Quarter	FY2012 2nd Quarter	YoY (%)
Credit Service	99.9	95.3	95.4	14.2	12.6	89.3
Lease	7.3	7.2	98.1	1.8	3.4	182.5
Finance	7.6	8.4	111.5	3.5	4.5	127.9
Real Estate- related	6.7	5.0	74.4	1.0	0.5	47.1
Entertainment	6.4	6.9	107.7	1.1	1.2	110.1
Total	128.2	123.1	96.0	21.9	22.4	102.6
Inter-segment Transactions	(0.6)	(0.6)	—	(0.0)	(0.0)	—
Consolidated	127.5	122.4	96.0	21.8	22.4	102.7

4. Contributions by Consolidated Companies

Ordinary income: Difference between consolidated and non-consolidated figures

Contribution to consolidated results

	Non-consolidated	Consolidated	Difference
Ordinary income	¥21.8 billion	¥27.9 billion	¥6.1 billion

Major consolidated subsidiaries	Contribution to ordinary income
Atrium Group • Atrium Co., Ltd. (liquidation of real estate) • Atrium Servicing Co., Ltd. (servicing business)	¥1.27 billion
Saison Fundex Group • Saison Fundex Corp. (loans) • House Planning Co., Ltd. (real estate)	¥0.51 billion
Concerto Inc. (entertainment business)	¥1.83 billion
Qubitous Co., Ltd. (Credit card Processing Contract business)	¥0.71 billion

Major equity-method affiliates	Contribution to ordinary income
Idemitsu Credit Co., Ltd. (credit card business)	¥0.82 billion
Seven CS Card Service Co., Ltd. (credit card business)	¥0.64 Billion
Takashimaya Credit Co., Ltd. (credit card business)	¥0.39 Billion
Saison Information Systems Co., Ltd. (information processing)	¥0.31 billion

5. Progress of the real estate business (Atrium Co., Ltd.)

The assets, divided into Retain business and Liquidation business, are compressed.

<Retain business>

- ◆ Appropriate replacement of assets specialized in small and medium-sized, well-selected ones in the real estate liquidation business
- ◆ Held in the middle term the income-producing properties, rental income secured
- ◆ Servicer explore business opportunities after expiration of a method for facilitating SME Finance Facilitation Act March 2013

<Organize business>

- ◆ Capital and business alliance with leading real estate sales company

➔ Sale of assets in a stepwise manner while observing the trend of the market in around 2016

Retain business	<ul style="list-style-type: none"> • Small and medium-sized property development and regeneration
Assets ≒ 110 billion	<ul style="list-style-type: none"> • Rent • Servicer projects
Liquidation business	<ul style="list-style-type: none"> • Office・Commercial property • Large-scale development property
Assets ≒ 140 billion	

■ Assets Plan

(Total of Retain business・Organize business)



6. Main Indices (Non-Consolidated)

	FY2011		FY2012		FY2012	
	2 nd Quarter	YoY(%)	2 nd Quarter	YoY(%)	(Estimate)	YoY(%)
New Applications (millions)	1.23	87.8	1.62	131.7	3.00	115.4
New Card Issued (millions)	0.93	83.8	1.22	131.1	2.20	112.2
Total Cardholders (millions)	24.89 (Δ3.49)	87.7	24.73 (Δ0.02)	99.4	25.20 (+0.45)	101.8
Active Cardholders (millions)	12.86 (Δ1.69)	88.4	13.14 (+0.15)	102.2	13.40 (+0.41)	103.2
Transaction Volume (¥ billion)	1,800.4	83.0	1,856.6	103.1	3,800.0	103.6
Card Shopping	1,663.3	85.3	1,726.7	103.8	3,539.0	104.0
Cash Advances	137.0	62.2	129.9	94.8	261.0	97.8

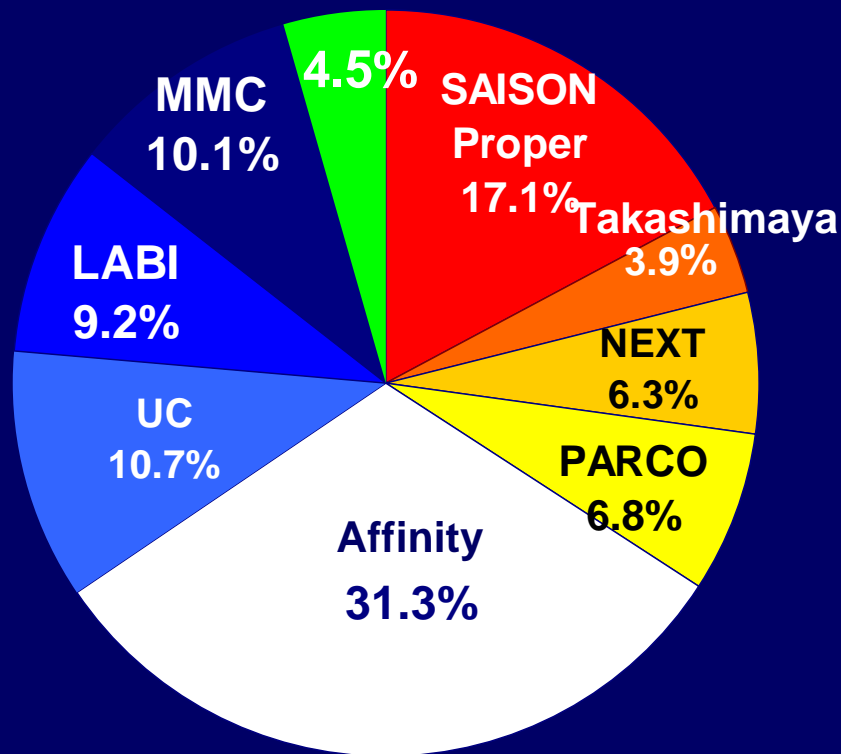
(Unit: million cards, million people, ¥ billion)

Figures in parentheses are changes from the previous year

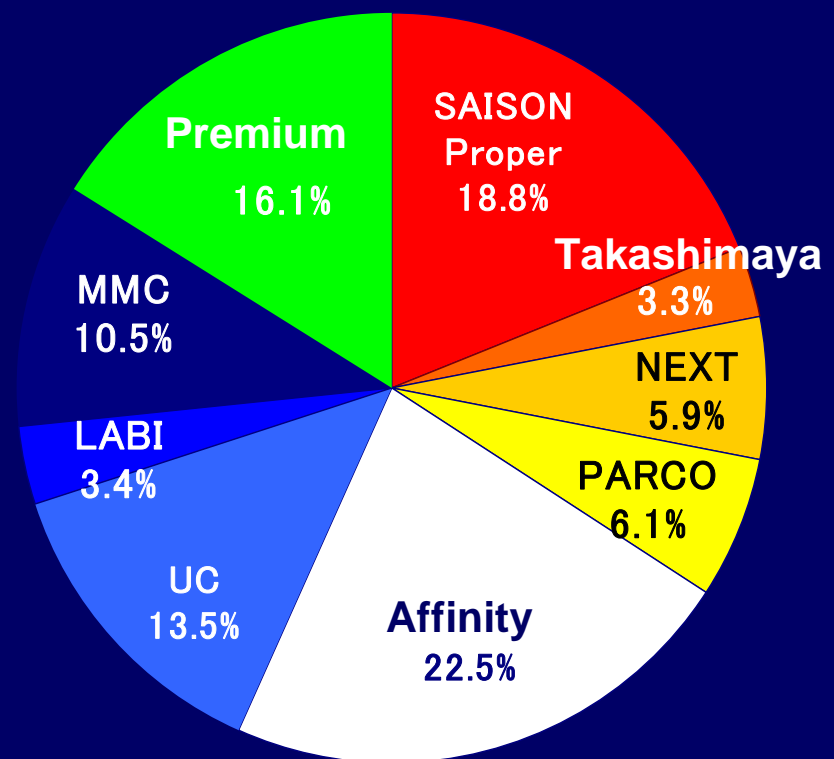
(Reference) Share of Cards

The transaction volume per card for premium cards is approximately 4 times that of the other cards.

【Share of Total Cardholders】
Premium



【Share of Shopping Transaction Volume】

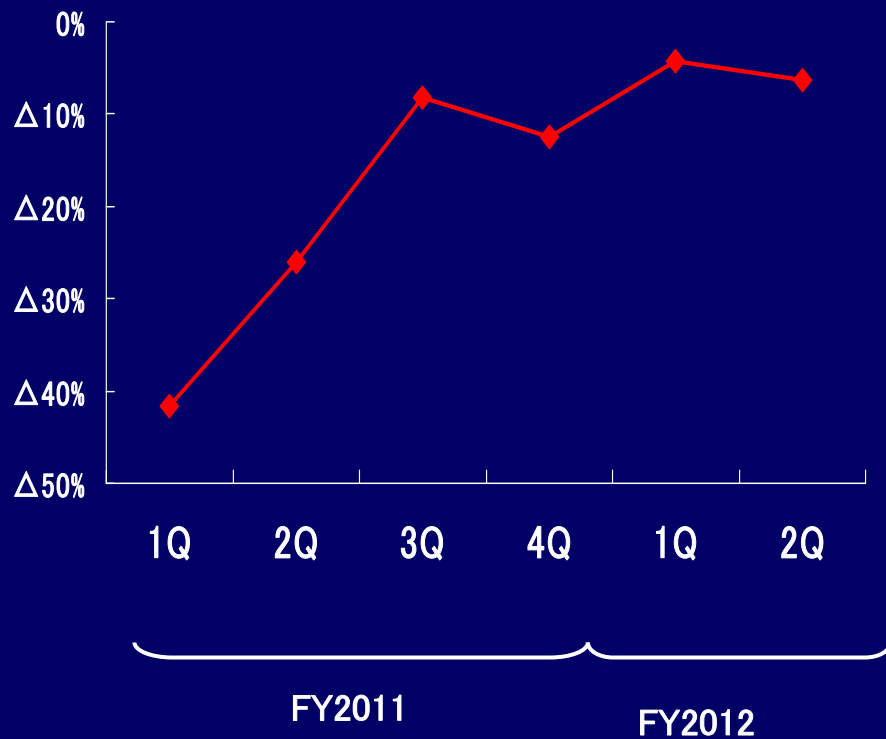


※Premium includes Saison & UC GOLD/Platinum cards and AMEX Blue cards

7. Trends of the Cash Advance Business

Aiming for a steady recovery of Transaction Volume of Cash Advances

Transaction volume trends



Balance trends

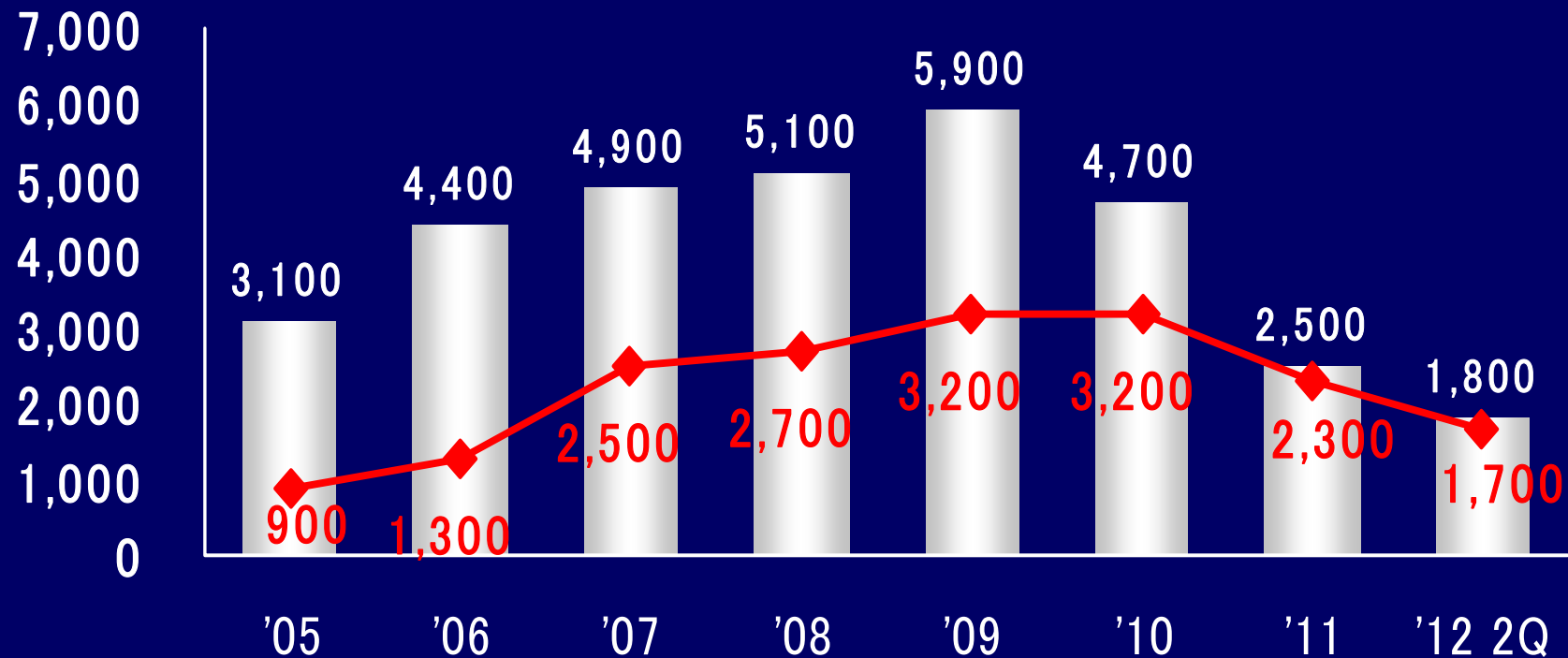
(billion yen)



8. (1) Changes in the number of interest repayment claims processing

The interest repayment claims are in the downward trend.

Monthly average number



■ New claims handled by lawyers and other third parties
—◆— Settlements of interest repayment claims

8. (2) Delinquency ratio/Credit cost/Provision for loss on interest repayment

Improvement of the asset quality continues by credit screening and collection policies.

Delinquency ratio (over 90 days)



Credit cost results and estimate

(Unit: billion yen)

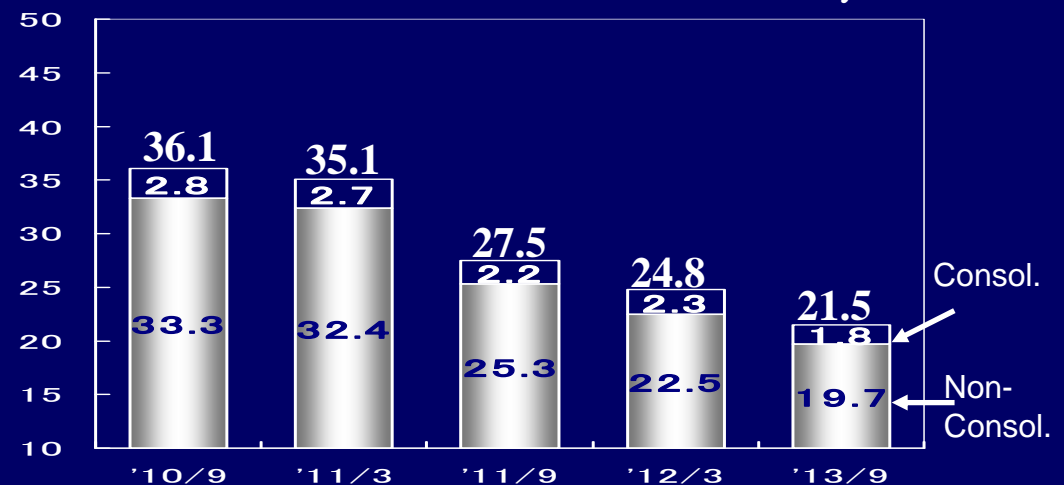
	2nd Quarter	Full Year Estimate
Credit Cost	11.2	23.0
Interest Repayment Cost	2.4	5.0

Trend of provision for loss on interest repayment

(Unit: billion yen)

2nd Q Results	Non-Consol.	Consol.
Reversal	(5.2)	(6.0)
Provsion	+2.4	+2.7
Balance change	(2.8)	(3.2)

(Unit: billion yen)



9. Financial Indices

Improve asset efficiency and the shareholders' equity ratio rises to 17.1%

(¥ billion)

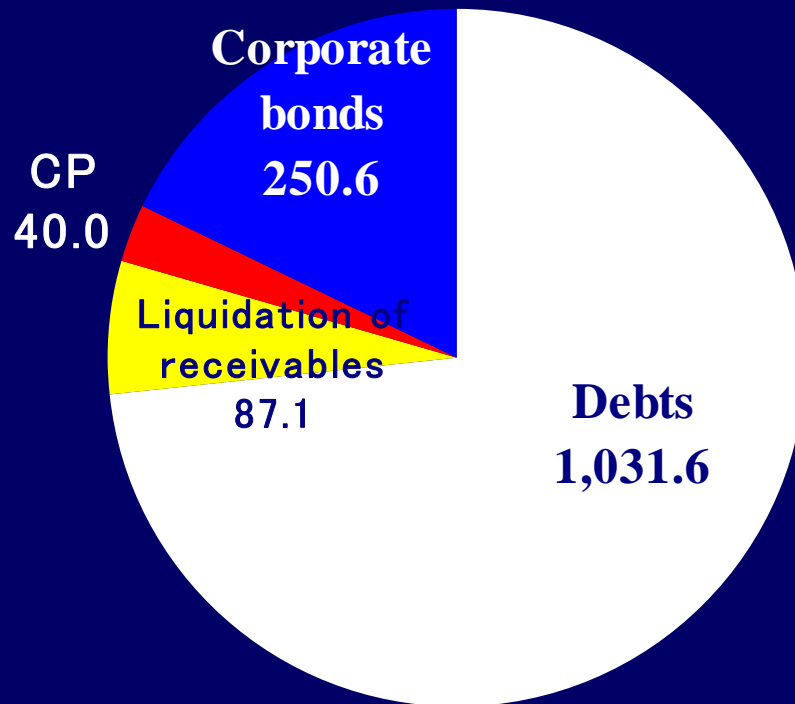
	Consolidated		Non-consolidated	
		change from end of FY2011		change from end of FY2011
Shareholders' Equity	365.8	+13.1	329.9	+7.4
Total Assets	2,141.7	(14.1)	2,052.4	(7.0)
Shareholders' Equity Ratio	17.1%	+0.7%	16.1%	+0.4%

(Reference) Fund Structure

(Unit: billion yen)

【Consolidated】

Total Balance: 1,409.4

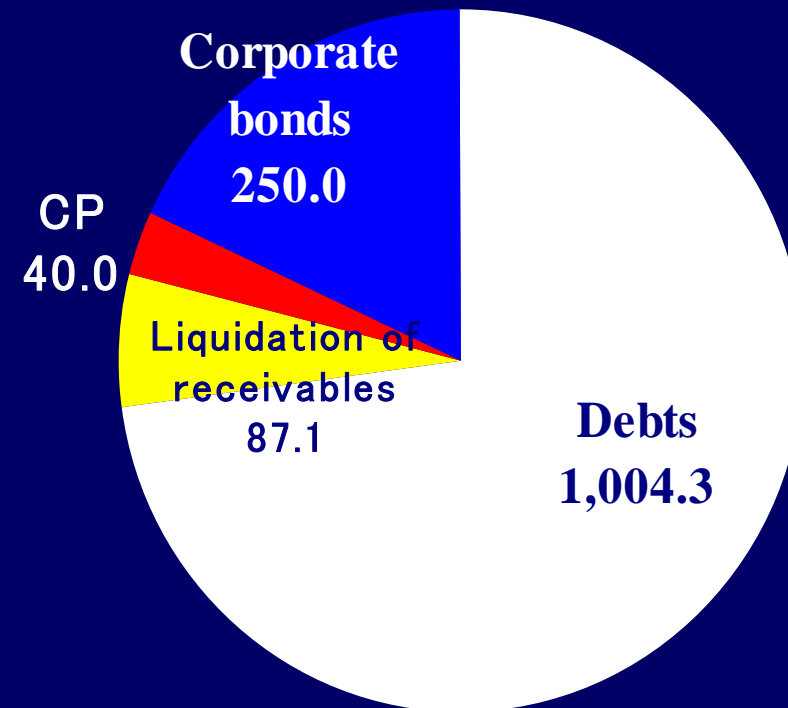


Long Term Ratio : 81%

【Rating】 R&I A⁺

【Non-Consolidated】

Total Balance: 1,381.4



Long Term Ratio : 81%

Fixed Ratio : 70%



Management Strategies

- I . Medium-term management concept
- II . Management Strategies in fiscal 2012
- III . Priority Policies, FY2012 Second Half

Managerial concept for the medium term

Operate based on Collaborative Management utilizing SAISON-AMEX Cards and other strategic weapons

Multiple business spheres
with credit cards as the axis

Overwhelming customer
channels/
alliance partners

Originality of products and
services,
extensive customer base



[The Company's strategic weapons]

Alliance
partners:
neutral
alliance
strategy

Eikyufumetsu
points:
points
balance:
71 billion
yen

Eikyufumetsu.
com:
7.73 million
Net
members

Diversified
payment
system:
prepaid
cards/Union
Pay,
payment by
points

Offering a wide array
of nonbank products:
supplying fine-tuned
other companies
do not offer

**AMEX
SAISON-
UC**
Increasing
appeal of
cards



[Three primary policies of the Company]

Construction of a payment platform
with credit cards serving as
the axis destroying cash market

Conversion into multi-core profit
source foundations by promotion of
nonbanking services, such as lease,
credit guarantee, flat rate loans,
financing, etc.

Expansion of fee revenues by
creation of businesses
using customer data centering on
NET members

Being a nonbank with multiple profit sources

Business strategy for the FY2012

By developing our credit business on the firm basis of specialization and alliances between all of the companies within the scope of consolidation, becoming No. 1 in the industry in terms of ability to acquire new members and transaction volume, at the same time expanding our share further

(1) Creating a system making our Company Group No.1 in the business in terms of functionality of the cards on consolidated base

By each company of the Group reinforcing its strategic weapons, strive to become No.1 in ability to acquire new members, transaction volume, creditability checks, credit, collection, information, and affiliated shop business, seizing the market share from the competitors

(2) Striving to make Net business our core

Greatly expanding transaction volume of eikyufumetsu.com, at the same time conducting full-scale development of the Company's advertising/research/social media businesses.

(3) Promoting nonbank services (lease & rental, credit guarantee, Flat 35 and nonrecourse loans)

Reinforcing finance business in character with the Company's nonbank status, and ensuring multiple profit sources

(4) Concretization of business entry into Asia

Actualizing overseas business strategy as a preliminary move ensuring sustainable growth in the future Anticipatory investment into customer-data businesses, etc.

Increasing the Customer Base Through New Card Acquiring

Strengthening our structure to acquire new applications to expand our customer base

■ Conducting promotions in partnership with our partner/clients

- Working closely with key clients such as Mitsui Outlet Park, Parco and Seiyu to strengthen customer attraction in the retail environment

■ Establishing a system for acquiring card members through web

- Establishing an web branch and acquiring high-usage customers with high efficiency

Number of customers acquired in the 1st half: 0.21 million
(double the figure for the previous fiscal year)

■ Promoting to acquire American Express card members

- Opening outside facilities for acquiring card members; promoting higher-ranking cards; acquiring members with trading companies and other organizations; attracting preferred customers



New applications	1st Half Results	1.62 million	+32% YoY
	Yearly Target	3.00 million	+15% YoY

Measures to Expand Shopping Transaction Volume

Conducting promotions targeting key markets

- Promoting cards with special advantages (point accrual, etc.)
 - Incentivizing overall Saison use in partnership with companies such as Seiyu, the Seven & I Group and Mitsui Fudosan
 - Large-scale national promotions (e.g. cash-back campaigns)
 - Expanding schemes for quick card issuance and use (incentivizing card use)
- Strengthening sales efforts toward expanding continuing settlements such as communications and public-utility charges
 - Promoting application for settlement services at time of new-card application
 - ⇒ Encouraging the use of Credit Saison as the customer's main card
- Promoting area-based use
 - Deploying measures to stimulate consumption in collaboration with multiple major partners in each area by promoting online-to-offline (O2O) use in a tie-up with Yahoo!

Shopping transaction volume	1st Half Results	+3.8% YoY
	Yearly Target	+4.0% YoY

Expanding Our Presence in the Net Business

Aggressive expansion of online operations through Eikyufumetsu.com

■ Rapidly expanding transaction volume of eikyufumetsu.com

- Raising the profile of eikyufumetsu.com through major media and the Company's own media
- Improving the rate of repeat by targeting customers according to usage patterns
- Promoting high probability of use by visitors by improving the website and making it easier to use

■ Cultivation of marketing/advertising business

- Development of a new advertising and marketing model drawing on net members

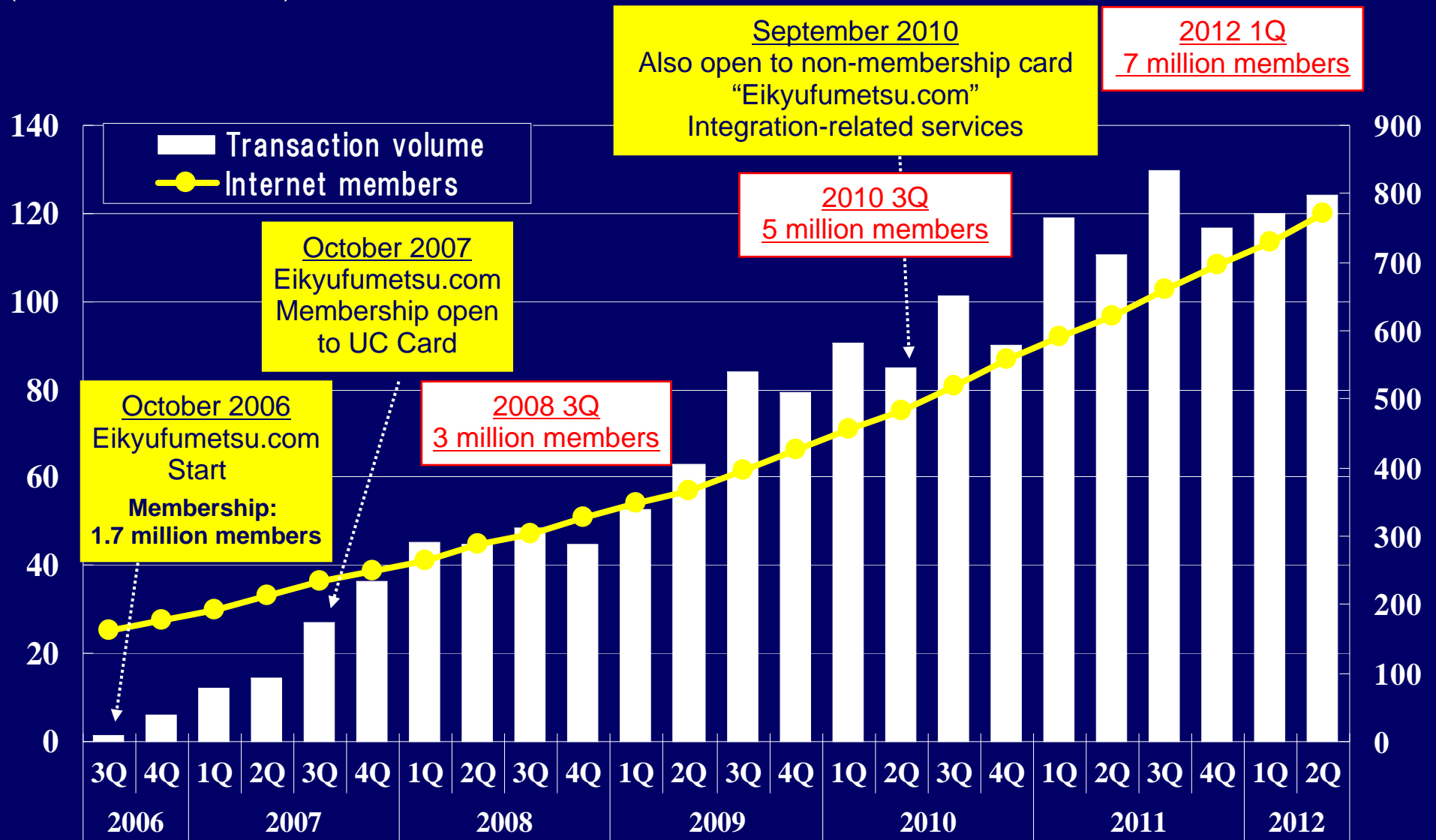


	<u>1st Half Results</u>	<u>YoY (%)</u>	<u>Yearly Target</u>	<u>YoY (%)</u>
Number of net members	7.73 million	+24%	8.54 million	+23%
Contribution margin	1.6 billion yen	+13%	5.3 billion yen	+77%

Eikyufumetsu.com Transaction Volume / Internet Members Transition

(¥ one hundred million)

(ten thousand people)



Reinforcement of Finance Business: Lease and Rental Business

Expanding market share and the scope of product transactions

- Expanding transaction volumes by strengthening sales to dealers associated with major manufacturers
 - Strengthening sales approach for dealers associated with multifunction printer manufactures, including Canon, Xerox, and Ricoh
- Developing new products to meet market needs
 - Further expansion of LED lighting rental schemes (expansion of both customer sales outlets and products handled)
 - Consideration of entry into the medical-devices field
 - Consideration of entry into the industrial and fabrication equipment market
- Strengthening the sales organization
 - Improvement of the lease system to create an environment that responds to a diverse range of needs
 - Training of a wide range of personnel that can develop a wide variety of business, including developing new markets

1st half results of rental transaction volume
3.0 billion yen (+856% YoY)

	<u>1st Half Results</u>	<u>YoY (%)</u>	<u>Yearly Target</u>	<u>YoY (%)</u>
Lease and rental transaction volume	53.5 billion yen	+15%	106.0 billion yen	+10%

Reinforcement of Finance Business: Credit Guarantee Business

Accumulation of a high-quality loan portfolio through partnership with regional financial institutions is proceeding better than planned.

■ Continuing partnership negotiations with all credit unions

- Focus on approaching the “credit unions” business category utilizing assurance capability and marketing power

	1st Half Results	Yearly Target
No. of new alliances	24	45 (adding up to a total of 350)
Of which: Credit banks	12	25 (adding up to a total of 200)

■ Expanding transaction volumes of existing customers

- Promotion of collateral-free loans for operating funds
- Product renewal using triple creditability checking

Guarantees balance in 1st half: 15.2 billion yen over plan
(Balance in previous fiscal year: 7.7 billion yen over plan)

■ Improvement in the accuracy of checking

- Promotion of improved accuracy in risk pricing creditability check in preparation for repeal of financial-easing legislation

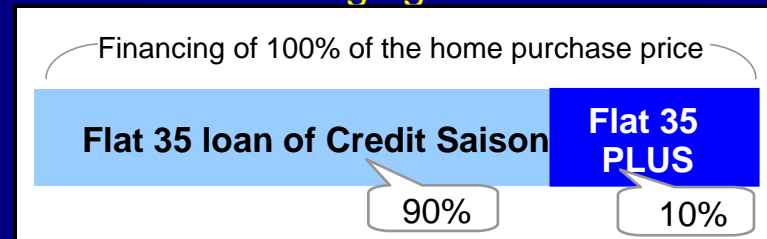
	<u>1st Half Results</u>	<u>YoY (%)</u>	<u>Yearly Target</u>	<u>YoY (%)</u>
Guarantees balance	108.7 billion yen	+15%	187.0 billion yen	+13%
Operating revenues	5.2 billion yen	+11%	11.0 billion yen	+11%

Strengthening of sales to become No. 1 in market share

■ Expanding approaches to partners using “Flat 35 Plus” and bridging loans

- The Company expanded approaches to partners by developing new products responding to system revisions.

* Expanding market share by measures such as expanding the Company’s product lineup



■ Expanding sales channels

- Strengthening business with major real-estate companies and expanding partnerships with small and medium-sized real-estate sales companies
- Expanding the Company’s dealership network

	<u>1st Half Results</u>	<u>YoY (%)</u>	<u>Yearly Target</u>	<u>YoY (%)</u>
Number of transactions	745	(8%)	2,000	+13%
Transaction volume	20.0 billion yen	(10%)	53.0 billion yen	+7%
Balance	129.2 billion yen	+47%	160.0 billion yen	+42%

Overseas Business / Life Assist Points

Start of full-fledged entry into the rapidly growing markets of Asia

■ Development of business in retail finance in the markets of Asia

- Established a representative office in Hanoi, Vietnam in June
⇒ Efforts to obtain the necessary licenses for the early development of retail-finance operations such as installment payments for individual goods and credit-card operations
- Consideration of entry into business in other regions of Asia



Proposals for introducing the Life Assist Point system

■ Activities aimed at developing business at the management level in partnership with card companies, retailers and government

【Objective】 To increase the growth rate by opening new areas of expenditure and raising the base level of personal consumption through credit cards

【Outline】 Awarding Life Assist Points for credit card use

- Formation of a “Council to Promote Internal Demand Using the Life Assist Point System”

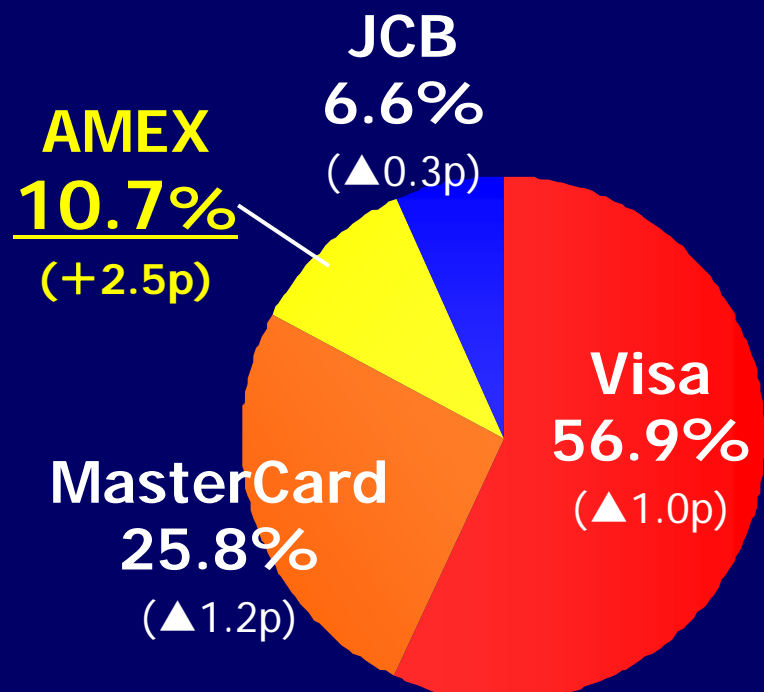
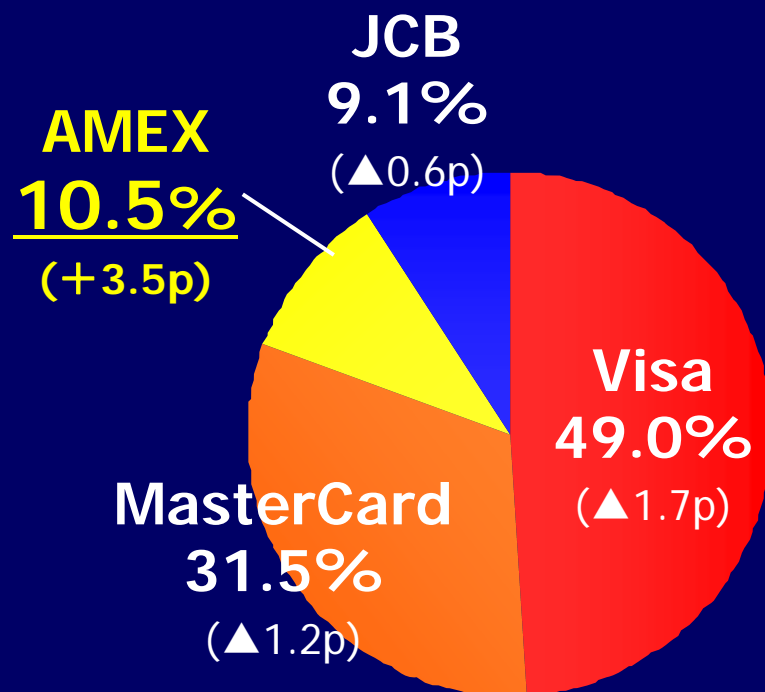
Overview of Credit Saison

Brand share of Credit Saison

[FY2011]

Card members

Card shopping transaction volume



	Visa	Master	AMEX	JCB
Card issuing share(FY2011)	27.4%	18.4%	49.6 %	4.6 %

Saison American Express® Card Expansion of Service Partners



PLATINUM

Annual fee:
21,000 yen



GOLD

Annual fee:
10,500 yen

* Main privileges of the Platinum card/Gold card

- Priority pass : free registration (usual annual fee is 399 U.S. \$) (Platinum), registration system (separate expenses to be paid) (Gold)
- Free baggage delivery service: offered for both ways (Platinum), offered for return only (Gold)
- Premium golf service: (Platinum) : Annual fee 10,500 yen
- "Businessworld" business lounge service developed by Regus (Domestic 8 cities/25 locations, 500 cities across the world/1,100 locations) ⇒ 1 year free
- Hotel/tour reservations with the world's largest online travel site "Expedia" ⇒ 8% discount for hotels etc.
- Use of a hair salon Ash Group ⇒ When visit first 50%OFF, Second and subsequent 30%OFF



BLUE

Annual fee:
3,150 yen



PEARL

Annual fee:
First year is free of charge
(In the second year or later, the annual fee is also free of charge when the card is used)

* Privileges of the Blue card/Pearl card

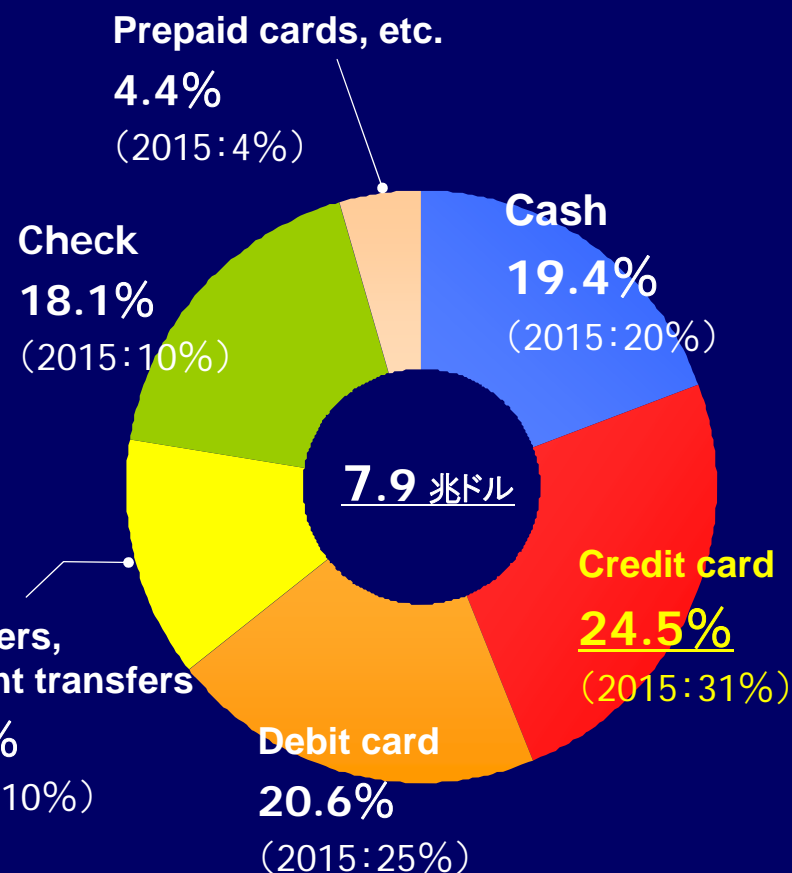
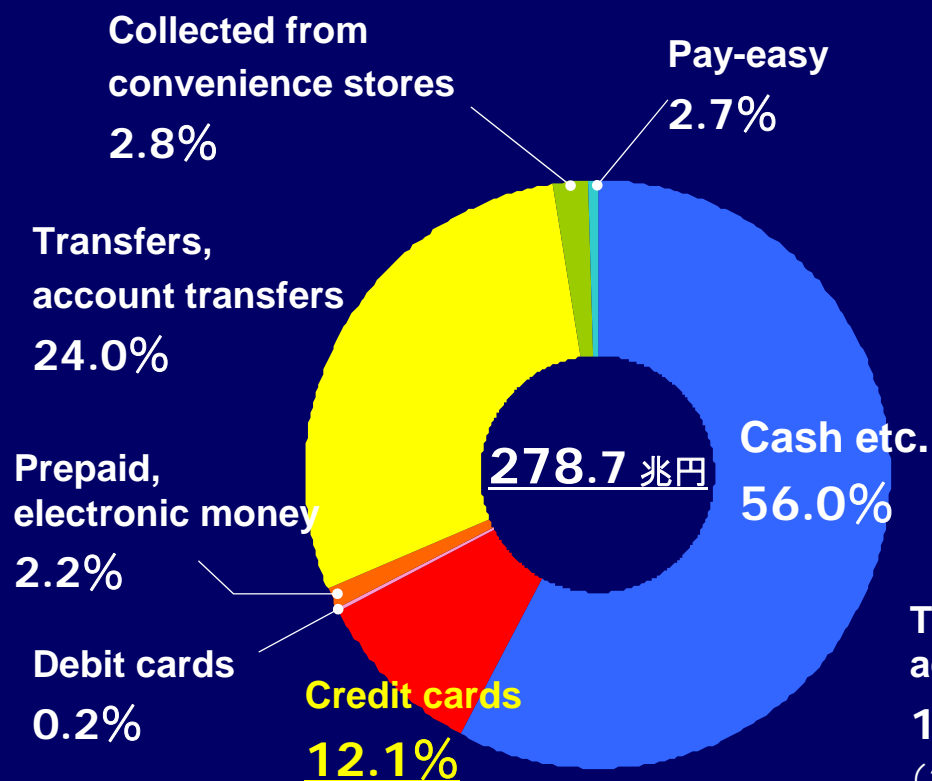
- Free baggage delivery service: (Blue): offered for return only
- On-line protection : reimbursement provided
- Hotel/tour reservations with the world's largest online travel site "Expedia" ⇒ 5% discount for hotels etc.
- Use of a hair salon Ash Group ⇒ Visit first when 50%OFF, Second and subsequent 30%OFF

Credit Card Market in Japan

Share by comparing means of payment to total personal consumption in Japan and the United States

Japan (FY2011)

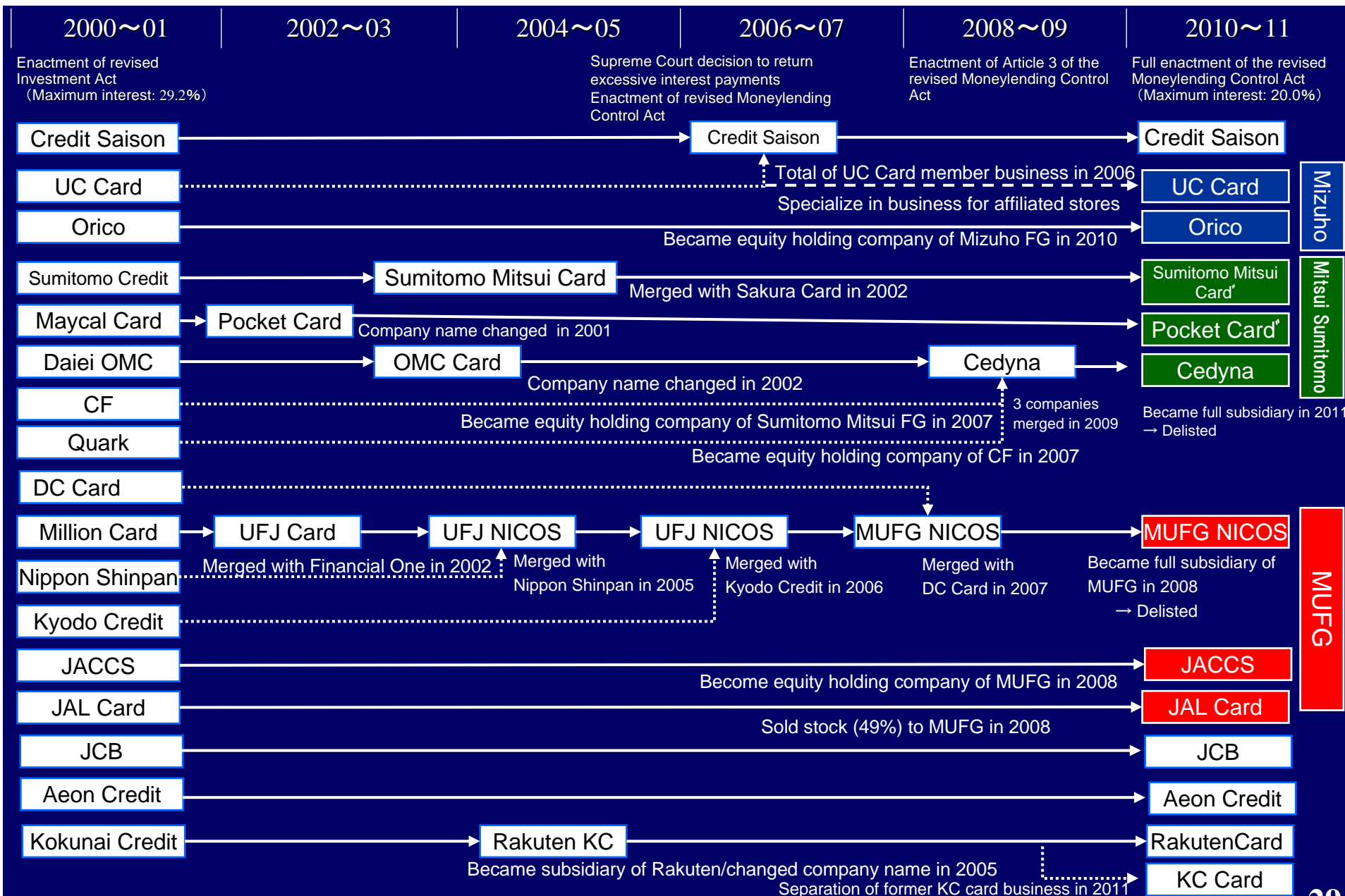
U.S.A.
(actual figures for FY 2010 and forecast for FY 2015)



* Japan: Estimates made by the Company on the basis of data of the Ministry of Economy, Trade and Industry, New Payment Report, New Payment Report, Mitsubishi UFJ Research and Consulting Co., Ltd., etc.

* U.S.: NILSON REPORT

Changes in domestic credit card industry

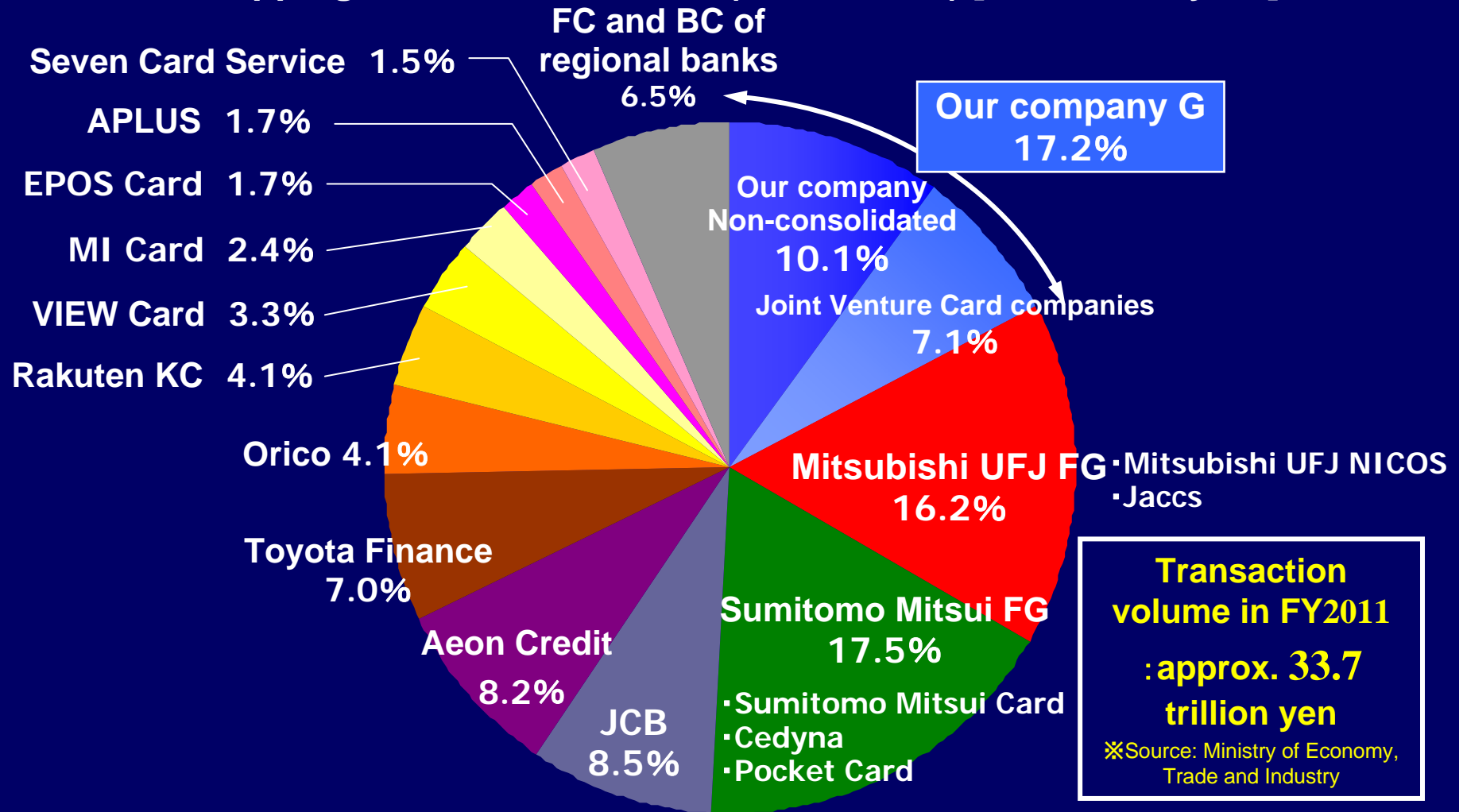


Reorganization of the Domestic Credit Card Industry



Domestic market share (shopping transaction volume)

Card shopping transaction volume (issuer base) [2011 fiscal year]



※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 115) are calculated as "FC and BC of regional banks"

※Investment destinations of our company: Idemitsu Credit, Seven CS Card, Takashimaya Credit, Resona Card, Shizuoka Bank Saison Card, Daiwa House Group

The Company is continuing its program of seasonal openings geared to the natural beauty of each of the seasons spring, summer, early autumn and late autumn. From the current fiscal year, the Company is introducing programs such as “handicraft studio,” “night hike” and “bicycle photo tour,” to create a base of permanent fans. Through the use of Akagi Nature Park shown here, the Company will provide opportunities for children to experience the wonder of the natural world, leading to the attraction of a new generation of customers.

● Operation Schedule

Open 166 days in the year

- Open Spring: April 7th (Sat.) to June 10th (Sun.)
- Summer: July 13th (Fri.) to August 26th (Sun.)
- Early Autumn:
September 14th (Fri.) to October 8th (Mon., public holidays)

Late Autumn: September 14th (Fri.) to November 18th (Sun.)

- Admission Adults: 1,000 yen; Children: 300 yen (Various discounts available)
- Annual Passport: 3,000 yen
- Visitors April to September About 22,000
(102% increase compared to previous year)



● Official Sponsors



* Listed in the order of the Japanese syllabary