



# FY2013 2<sup>nd</sup> Quarter Management Report



There are said to be 26 species of maples in Japan. 22 species of maples can be found in Akagi Nature Park.



Recipient of the 2012 Porter Prize.

2013. 11. 11  
CREDIT SAISON CO., LTD.

## ◆ **FY2013 First Half Business Highlights**

### **I . FY2013 First Half Financial Report**

### **II . FY2013 Management Strategies**

### **III . Social Contribution Activities**

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 2013 Fiscal Year

- Apr. ◆ Issuance of the “Cocokara Club Card”, Japan’s first Visa prepaid card which can be used at stores accepting Visa both in Japan and overseas
  - ↳ Exceeded total of 2 million members in October
- ◆ Founded consulting company in Hanoi, Vietnam and started business operation
- ◆ Started service through the Coiney smartphone card payment service
  - ↳ Formed a capital alliance with Coiney in August and accelerated business expansion
- May ◆ Started rental of Felica electronic payment terminals and IP wireless devices of Mobile Create
- June ◆ Started Saison CLO customer referral service using card payment infrastructure
- July ◆ Formed partnership with Digital Garage, Inc. in startup corporation cultivation and big data business
- Aug. ◆ Received Director’s Prize from the Japan Housing Finance Agency in recognition of performance of Flat 35
- ◆ Working together with Concur Corporation which provides business solution with cloud-based management expense clearance system (Concur)
- Sep. ◆ Exceeded 200 billion yen in balance of credit guarantee ~Partnership with 360 regional financial institutions
- ◆ Started actions in cloud funding business
  - ↳ Partnership with Japan’s first broadcast linked cloud funding dedicated to music
- ◆ Held the regional vitalization campaign Town Card Festival
  - ↳ Shibuya, Sendai, Yokohama, Ikebukuro, Shinjuku, Kyoto, Nihonbashi, Yaesu



# I . FY2013 First Half Financial Report

- 1. Financial Results**
- 2. Results by Business Segment**
- 3. Contributions by Consolidated Companies**
- 4. Progress of the business of real estate business  
(Atrium group)**
- 5. Main Indices (Non-Consolidated)**
- 6. Trends in the cash advance business**
- 7. Interest repayment claims**
- 8. Delinquency- credit cost**
- 9. Financial Indices**



# 1. Financial Results

(¥ billion)

		FY2012 2 <sup>nd</sup> Quarter	YoY (%)	FY2013 2 <sup>nd</sup> Quarter	YoY (%)	FY2013 (Estimate)	YoY (%)
Consolidated	Operating Revenues	122.4	96.0	123.9	101.2	251.0	102.7
	Ordinary Income	27.9	111.9	27.3	97.8	51.3	96.4
	Quarter Net Income	17.6	101.1	17.6	99.8	32.0	97.7
	Earnings per Share (¥)	93.38	101.1	96.19	99.8	174.0	97.7

Non-consolidated	Operating Revenues	101.8	96.5	101.2	99.4	207.3	101.6
	Ordinary income	21.8	107.9	20.2	92.9	42.0	101.1
	Quarter Net Income	13.2	97.0	11.8	89.7	24.2	100.2

## 2. Results by Business Segment

(¥ billion)

	Operating Revenues			Operating Income		
	FY2012 2 <sup>nd</sup> Quarter	FY2013 2 <sup>nd</sup> Quarter	YoY (%)	FY2012 2 <sup>nd</sup> Quarter	FY2013 2 <sup>nd</sup> Quarter	YoY (%)
Credit Service	95.3	93.8	98.4	12.6	9.9	78.7
Lease	7.2	6.9	95.9	3.4	2.8	81.2
Finance	8.4	9.0	106.7	4.5	4.5	100.5
Real Estate- related	5.0	7.8	155.2	0.5	3.3	652.7
Entertainment	6.9	6.8	98.2	1.2	1.1	92.4
Total	123.1	124.5	101.2	22.4	21.8	97.4
Inter-segment Transactions	(0.6)	(0.6)	—	(0.0)	(0.0)	—
Consolidated	122.4	123.9	101.2	22.4	21.8	97.6

# 3. Contribution by Consolidated Companies

Ordinary income: Difference between consolidated and non-consolidated figures

Contribution to consolidated results

	Non-consolidated	Consolidated	Difference
<b>Ordinary income</b>	¥20.2 billion	¥27.3billion	7.0billion

Major consolidated subsidiaries	Contribution to ordinary income
<b>Atrium Group</b> (liquidation of real estate) (servicing business)	¥2.26 Billion
<b>Saison Fundex Group</b> (loans) (real estate)	¥0.87 Billion
<b>Concerto Inc.</b> (entertainment business)	¥1.75 Billion
<b>Qubitous Co., Ltd.</b> (Credit card Processing Contract business)	¥0.32 Billion

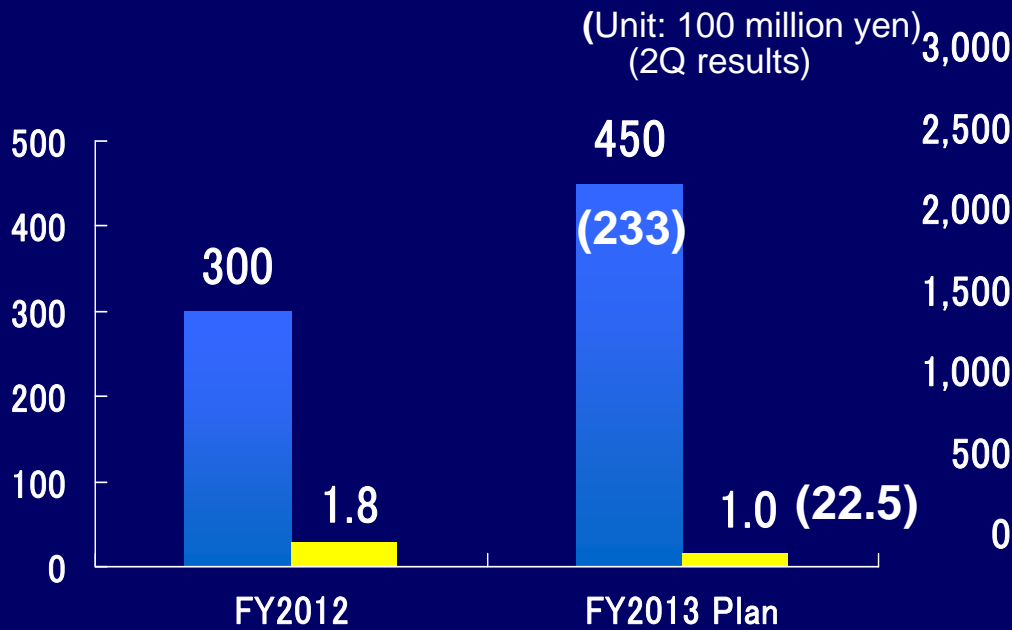
Major equity-method affiliates	Contribution to ordinary income
<b>Idemitsu Credit Co., Ltd.</b> (credit card business)	¥0.76 Billion
<b>Seven CS Card Service Co., Ltd.</b> (credit card business)	¥0.42 Billion
<b>Takashimaya Credit Co., Ltd.</b> (credit card business)	¥0.40 billion

# 4. Progress of the Real Estate Business (Atrium Group)

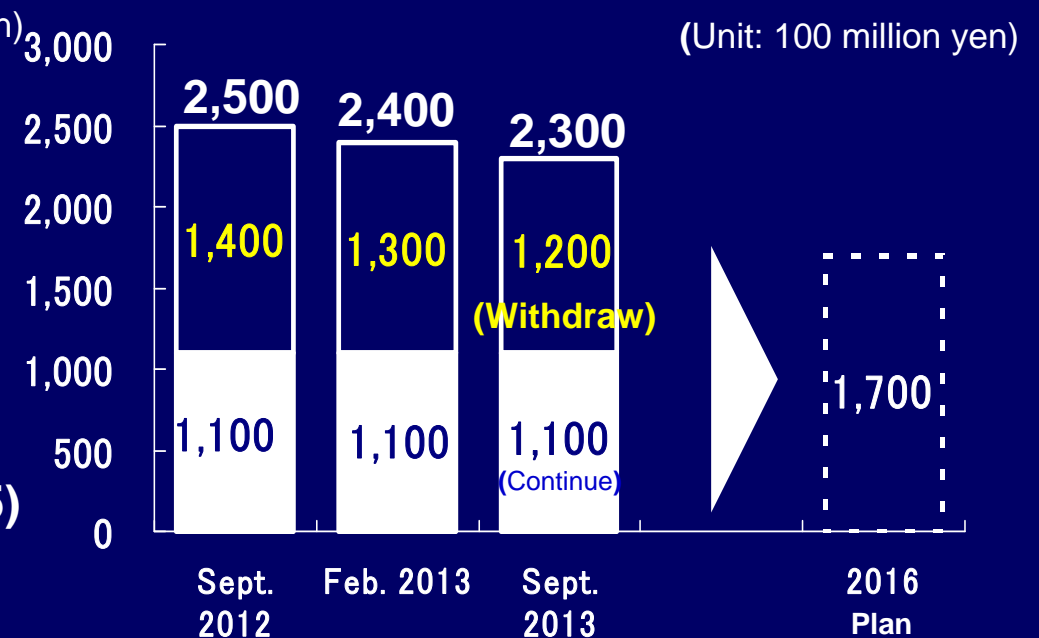
In improving market trends, **asset reduction proceeds at a high profit margin**

- Realized sales focusing on real estate with high profit rate, **profit exceeds the plan.**
- **Collection continues** for service properties through bulk purchase.
- **Reduction of liquidation business assets proceeding according to plan.**
- Plan systematic sale of large-scale development properties by about 2016. Depending on market trends, **consider front-loading of asset reduction.**

Business Plan



Assets Plan



■ Sales ■ Ordinary Income (Total of retain and liquidation businesses)



## 5. Main Indices (Non-Consolidated)

	FY2012		FY2013		FY2013	
	2 <sup>nd</sup> Quarter	YoY(%)	2 <sup>nd</sup> Quarter	YoY(%)	(Estimate)	YoY(%)
New Applications (millions)	1.62	131.7	1.77	109.3	3.50	103.6
New Card Issued (millions)	1.22	131.1	1.28	105.0	2.60	103.6
Total Cardholders (millions)	24.73 (Δ0.02)	99.4	24.81 (Δ0.01)	100.3	25.20 (+0.38)	101.5
Active Cardholders (millions)	13.14 (+0.15)	102.2	13.96 (+0.34)	106.3	14.70 (+1.08)	107.9
Transaction Volume (¥ billion)	1,856.6	103.1	1,973.1	106.3	4,100.0	107.7
Card Shopping	1,726.7	103.8	1,842.6	106.7	3,836.0	108.1
Cash Advances	129.9	94.8	130.5	100.5	270.0	103.8

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

Figures in parentheses are changes from the previous year

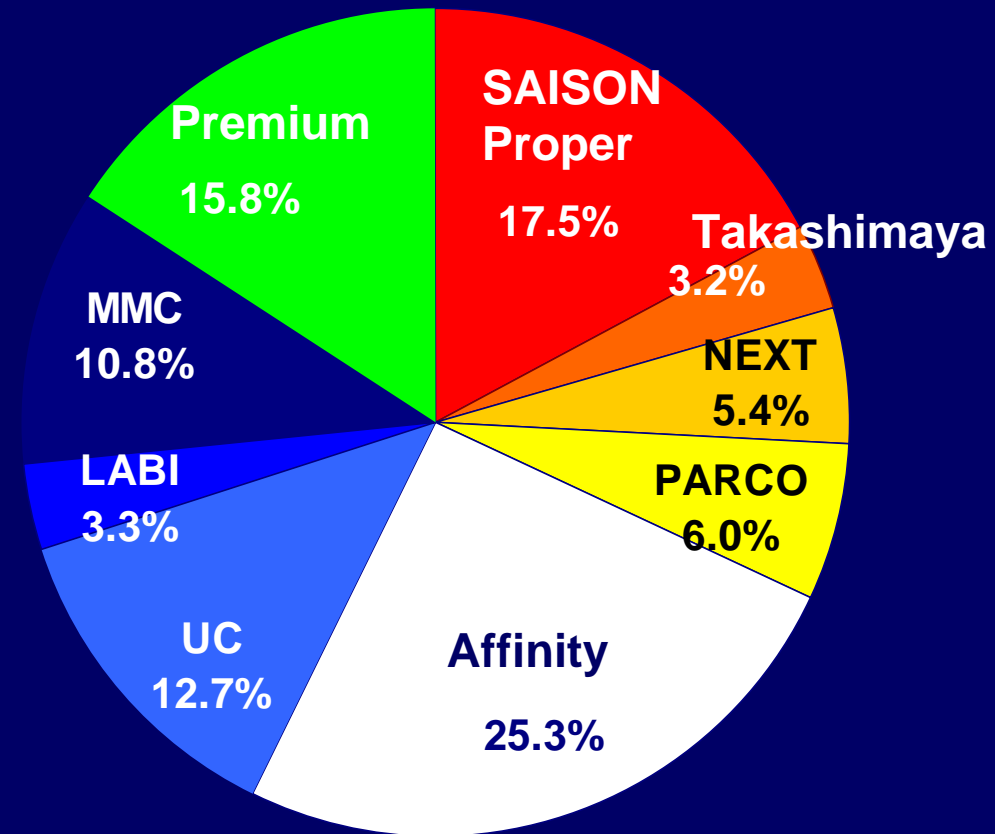
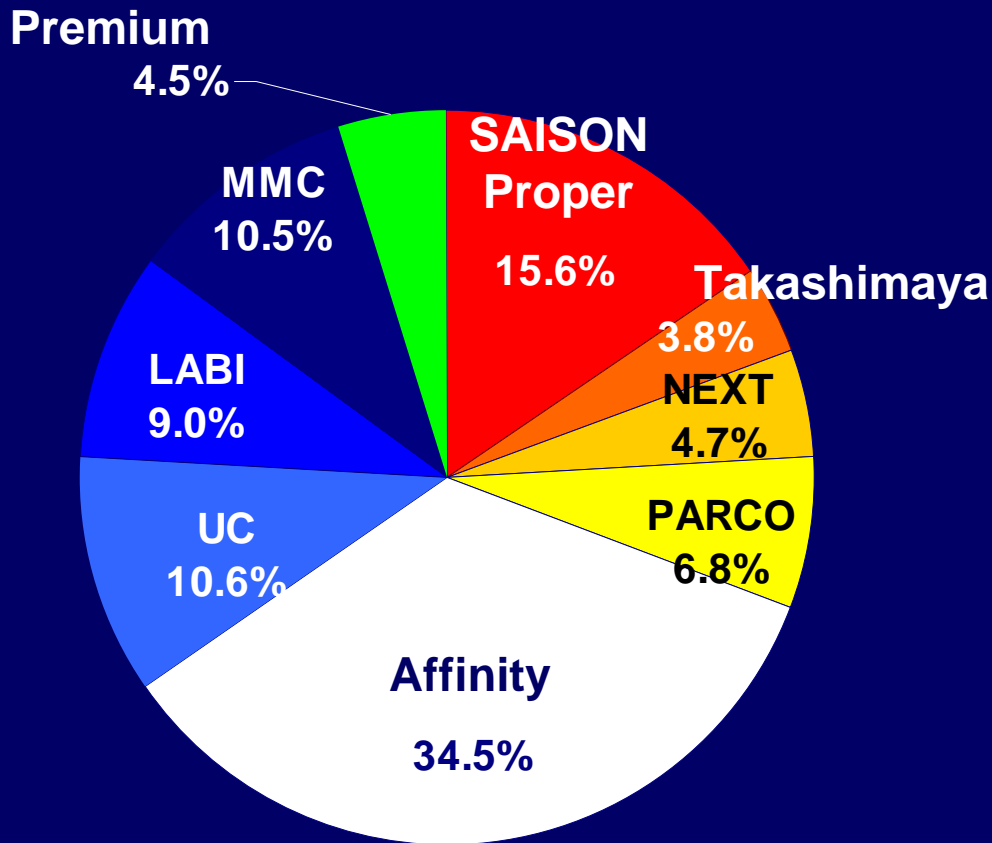
# ( Reference ) Share of Cards (Non-consolidated)

Transaction volume of the Premium cards is triple  
as much as that of the average  
(Profitability about 30-60 times the general card)

【First Half of 2013】

【Share of Total Cardholders】

【Share of Shopping Transaction Volume】



Total Cardholders 24.81 million

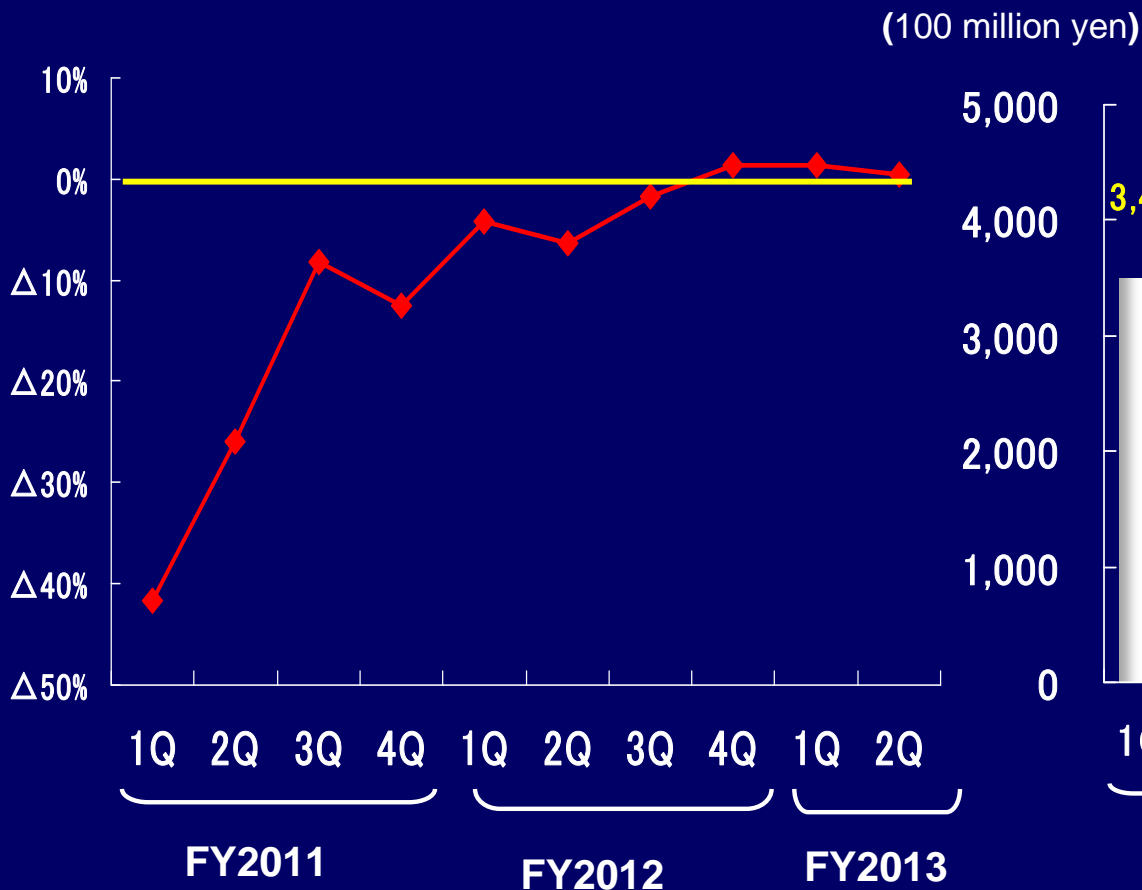
Shopping Transaction Volume 1,842.6 billion

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

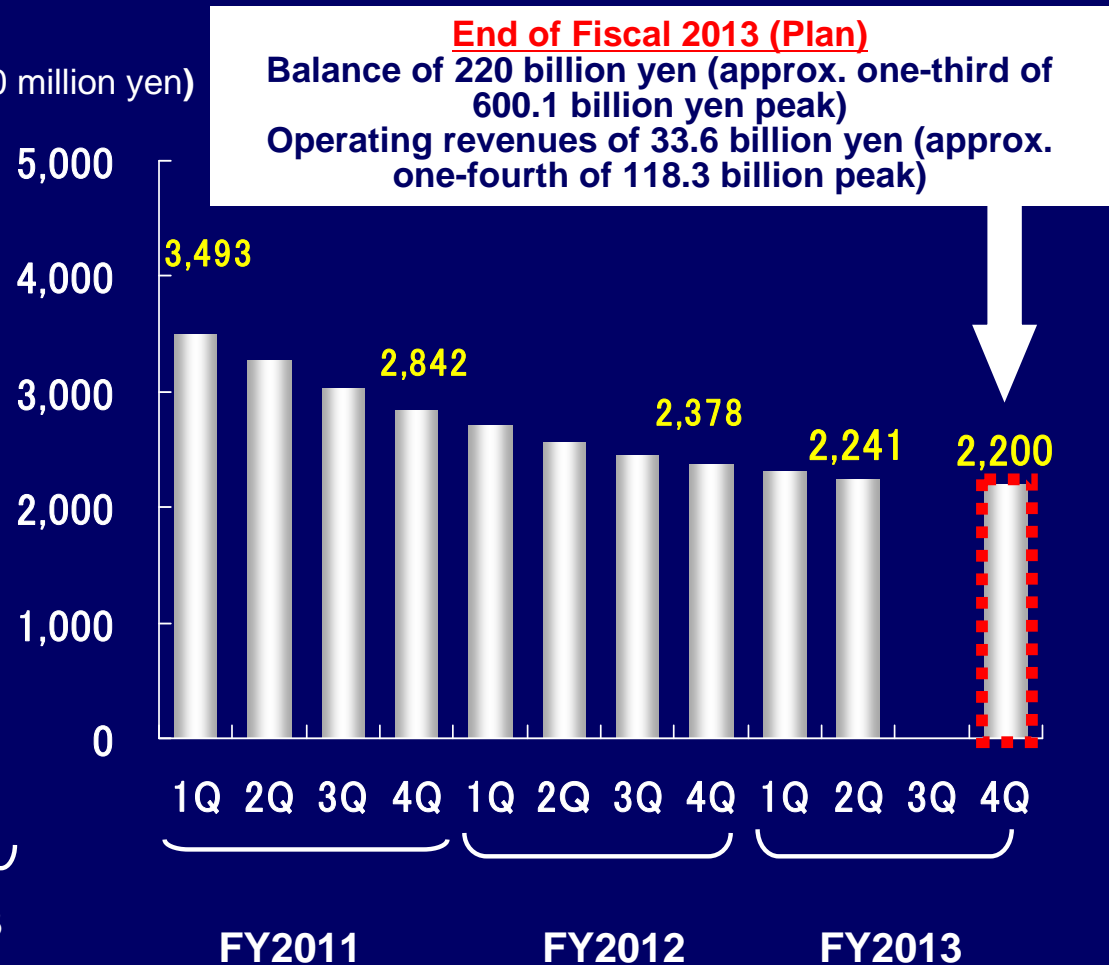
# 6. Trends of the Cash Advance Business

Transaction volume shows recovery trend, balance continues to decrease but at a smaller rate

■ Transaction volume trends



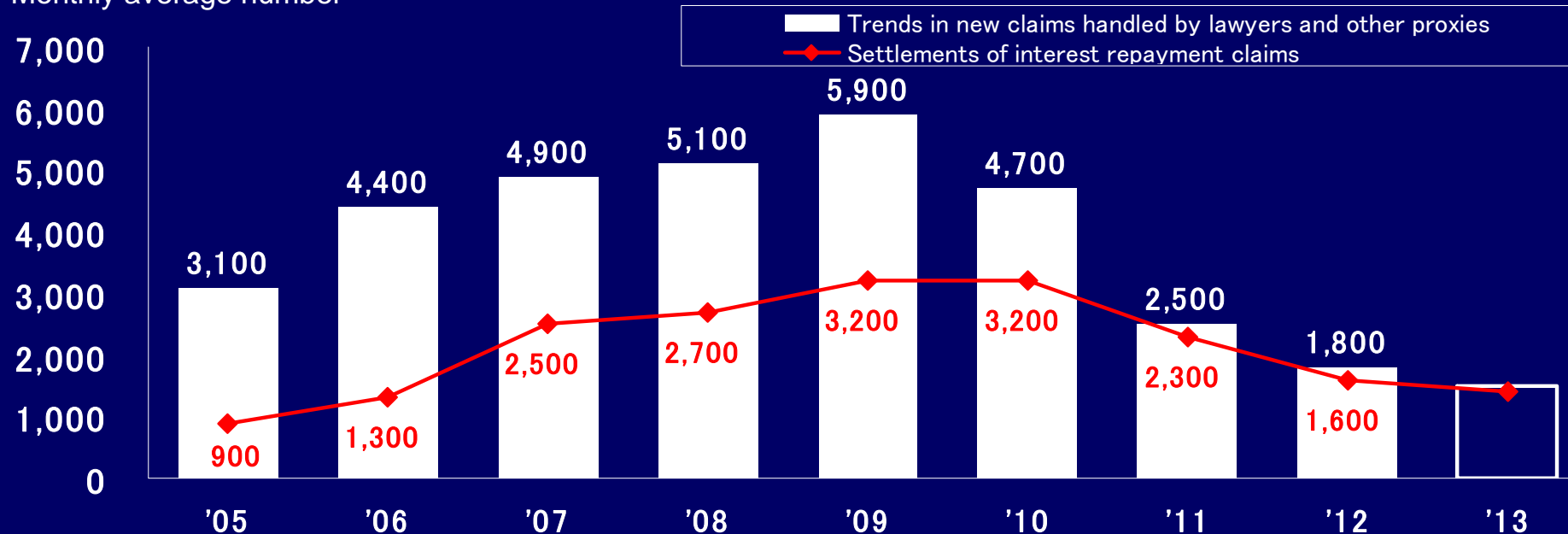
■ Balance trends



# 7. Interest repayment claims

## ■ New generation past trends attorney intervention (Year comparison)

Monthly average number

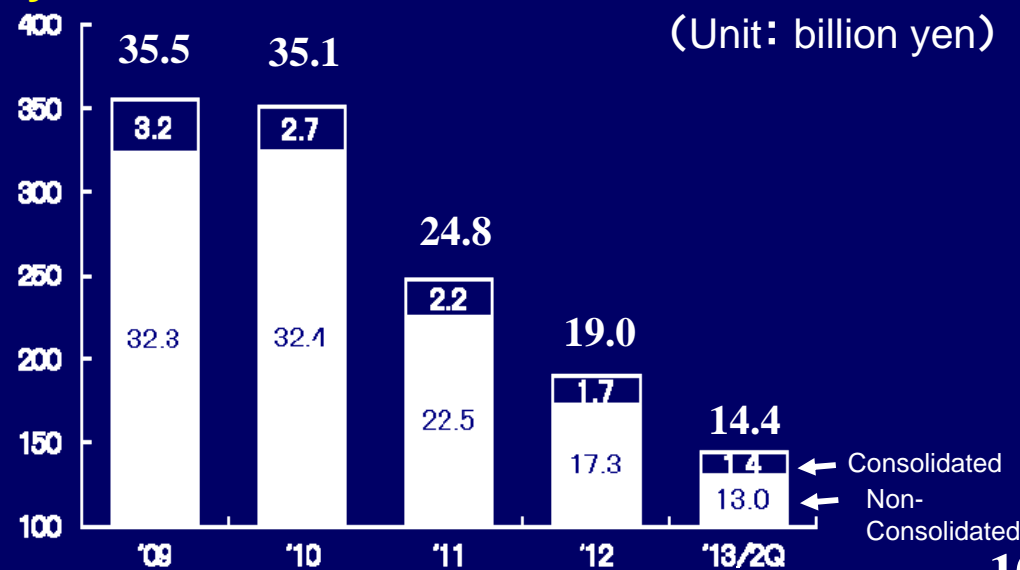


## ■ Trend of provision for loss on interest repayment

(Unit: billion yen)

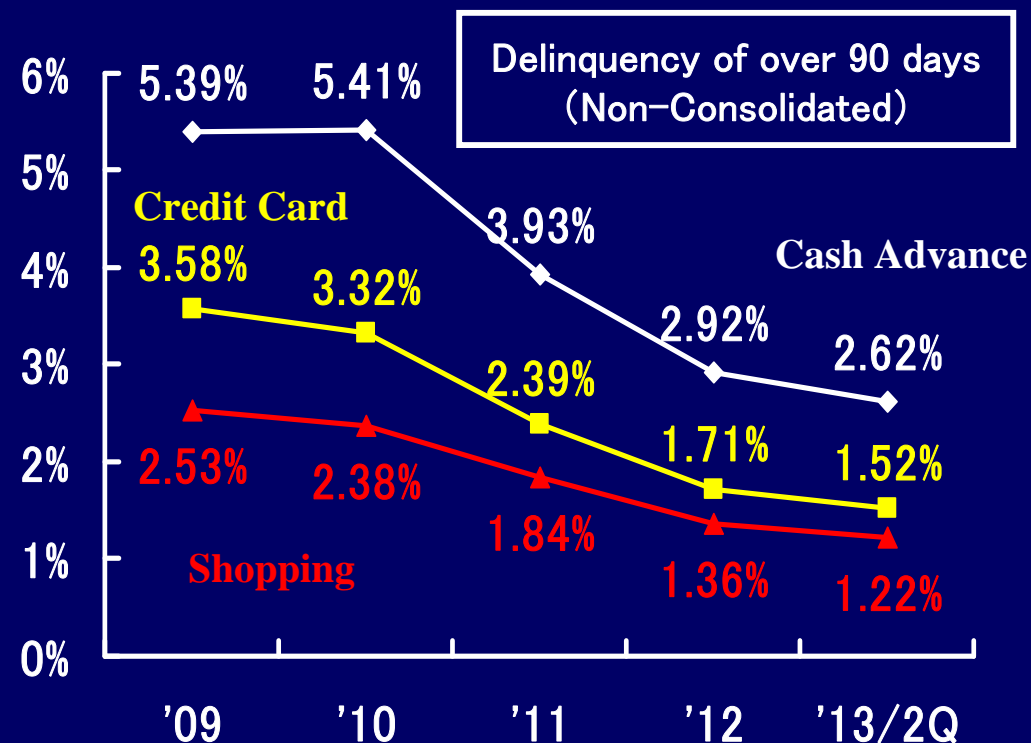
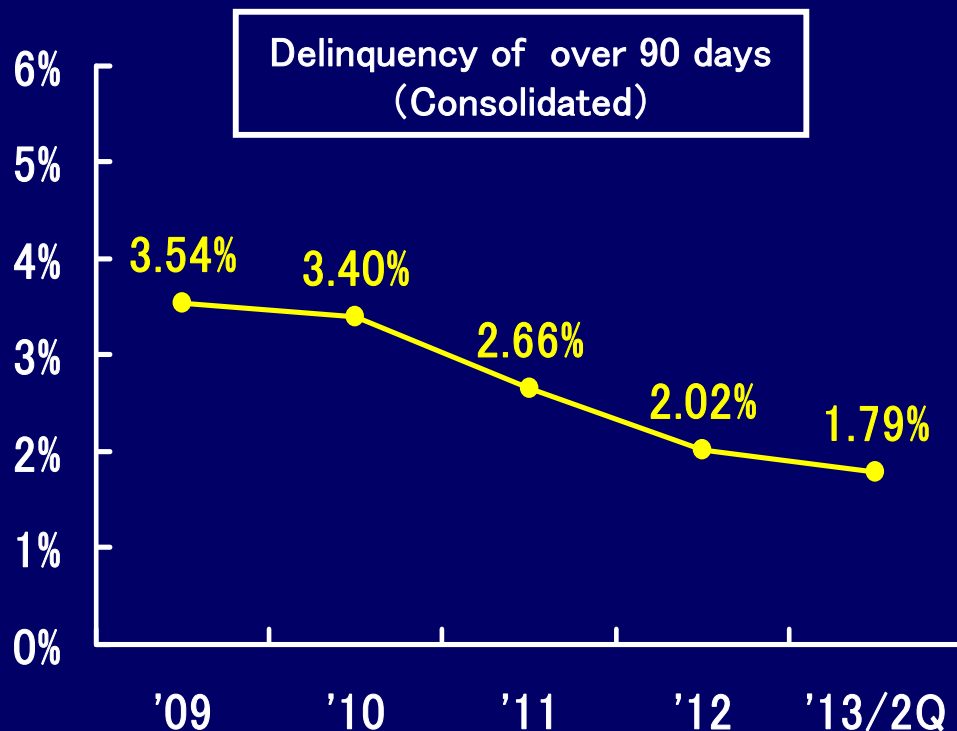
2nd Q Results	Non-Consolidated	Consolidated
Reversal	(4.6)	(5.0)
Provsion	0.3	0.4
Balance change	(4.3)	(4.6)

(Unit: billion yen)



# 8. Credit Risk - Credit Cost

## ■ Credit Risk



## ■ Credit cost results and estimate

	FY2013 2 <sup>nd</sup> Quarter		FY2013 (Estimate)	
	Value	Difference	Value	Difference
<b>Credit Cost</b>	<b>8.2</b>	<b>(3.0)</b>	<b>16.0</b>	<b>(4.8)</b>
Provision for loss for interest repayment	<b>0.3</b>	<b>(2.1)</b>	<b>1.0</b>	<b>(3.9)</b>

(¥ billion)

### Factors of credit cost reduction

- Proper screening
- Strengthen collection
- Reduction of claims handled by lawyers
- Reduction of cash advances balance

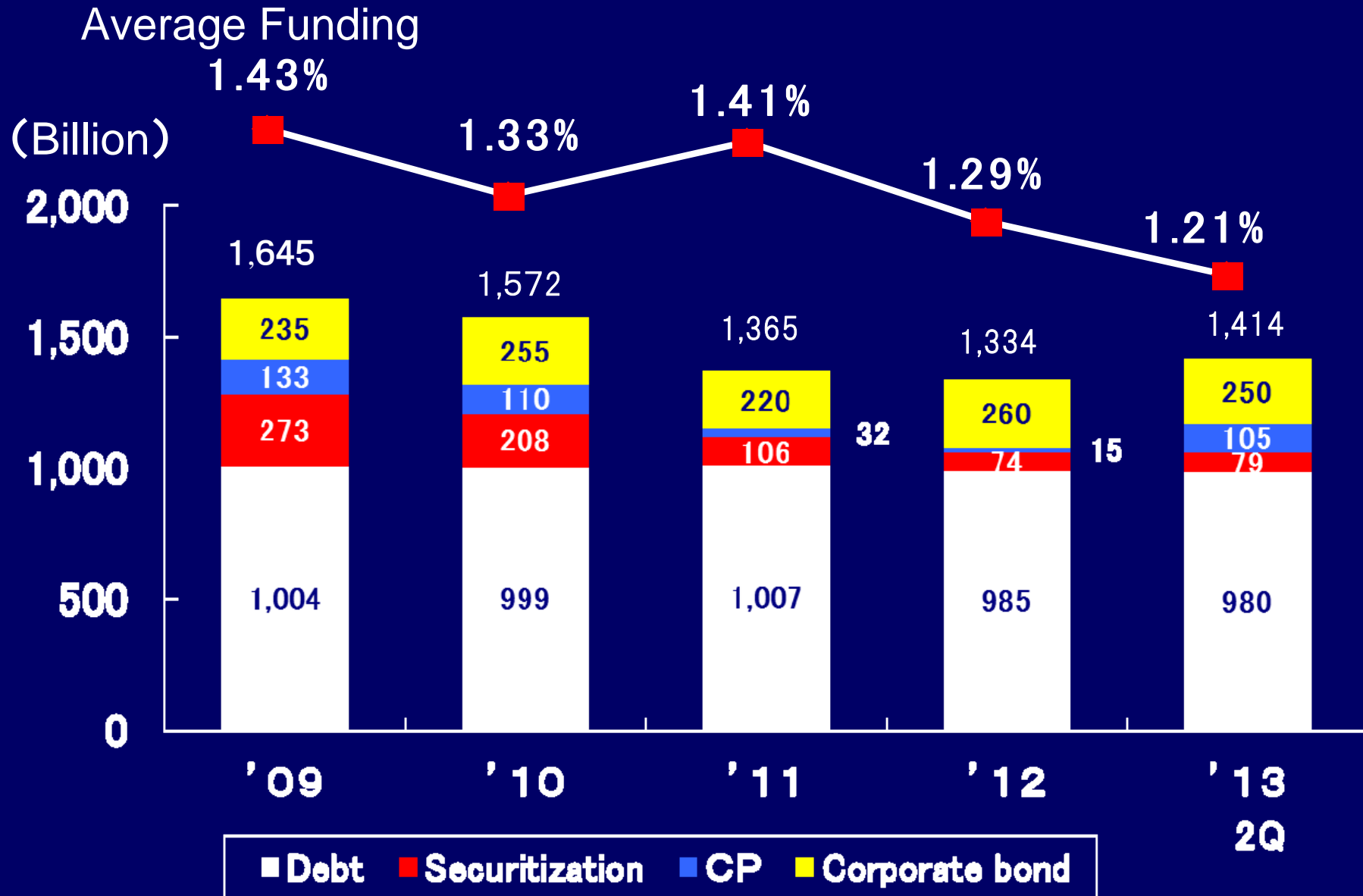
# 9. Financial Indices

(¥ billion)

	Consolidated		Non-consolidated	
		change from end of FY2012		change from end of FY2012
<b>Shareholders' Equity</b>	<b>409.8</b>	<b>+18.3</b>	<b>360.5</b>	<b>+11.3</b>
<b>Total Assets</b>	<b>2,144.0</b>	<b>+2.2</b>	<b>2,056.0</b>	<b>+4.1</b>
<b>Shareholders' Equity Ratio</b>	<b>19.1%</b>	<b>+0.8%</b>	<b>17.5%</b>	<b>+0.5%</b>



# (Reference) Fund Structure Changes in interest-bearing debt (Non-Consolidated)



【Rating】  
R&I A+

Long-term Ratio: 79%  
Fixed Ratio: 65%



- ◆ **Management Vision**
- ◆ **Management Strategies**
- ◆ **Priority Policies, FY2013 Second Half**

# ◆ FY2013 Management Vision

As a final step “collaborative management utilizing strategic assets” and “break cash dominance” establish a multi-core system for revenue sources **by further refining our Asia strategy and by accelerating our shift to non-bank business and our acquirement of the No. 1 card issuer on a consolidated basis.**

1

Based on the recognition that we have reached the “**2nd founding of our company,**” construct a corporate climate in which all employees **embrace difficult tasks.**

2

**Strengthen the ability to convey information by “pursuing innovation”** which breaks conventional boundaries

3

Promoting “**No. 1 corporation for achievement by women**” and “**No. 1 corporation for invigoration of personnel**”

# Provide Customer Solutions Through Collaboration of Strategic Products

Credit Business

## Credit card customer base



Group **35 million** members  
 Consolidated shopping transaction volume  
**5.72 trillion yen**

## Saison American Express® Card



High status members with high usage  
 volume and high usage amount

## Eikyufumetsu Points



Point balance **74 billion yen**

## High onsite capability "Store/Counter Network"



**10 stores** and more than **100 counters** domestically

Payment Business

## Visa Prepaid Card (domestic general-purpose)



**2 million** cards issued

## Special Overseas Prepaid Card NEO MONEY



Can be used in more than **200** countries and  
 region throughout the world

## Card payment by smartphones Coiney



When using smartphone and Coiney,  
no initial fees at card payment  
 device, payment processing fee of **3.24%**

## Cloud management expense payment system Concur



Streamline control of management expenses  
 through collaboration with corporate card  
 Implement at **17,000** companies  
 worldwide

Internet Business  
 Business Outsourcing

## Point Website Eikyufumetsu.com



Net members **9.28 million**  
 Annual sales **50 billion yen**  
 Monthly access **5 million PV** (company  
 homepage)

## Card payment link coupon Saison CLO



Information on incentives transmitted  
 to easily-viewable web statement  
 Click rate is approx. **10** times higher than  
 normal banner

## Analysis of website browsing behavior eMark+ Lite



ASP tools for attracting customers to  
 company website  
 Site behavior of **200 thousand**  
 monitor members

## Business processing



Improve efficiency through business  
 consignment of call centers, staffing,  
 debt collection, sorting of account  
 transfers, provision of payment tools

Finance Business

## Lease & rental

Lease receivables balance  
**271.6 billion yen**

In conjunction with a facilities investment plan for  
 businesses, provide finance leases, business  
 installment payments, and rentals (operating  
 leases)

## Credit guarantee (certified loan)

Specializing in certified free loan  
 guarantees for private individuals

Guarantee balance **203.6 billion yen**  
 Partner financial institutions **360**

## Saison Home Loan Packages

Flat 35  
 Flat 35 Plus  
 Flat 35 Tsunagi (Bridging) Loans  
 Flat 35 (institution) balance **177.9 billion**  
 yen

## Asset Formation Loan (investment-type condominium, etc.)

Investment-type  
 mansion purchase  
 loan  
 Saison's Asset  
 Formation Loan

Low interest for peace of mind, loan  
 balance **13.6 billion yen**

# ◆ Management Strategies and Priority Policies, FY2013 Second Half

1 Asia strategy focusing on ASEAN to achieve a high growth

2 The market share through Establish SAISON-AMEX as a strategic advantage

3 Break cash dominance and contribute to Invigorate consumer spending

4 Implementation of Life Assist Points and Revision of laws and regulations

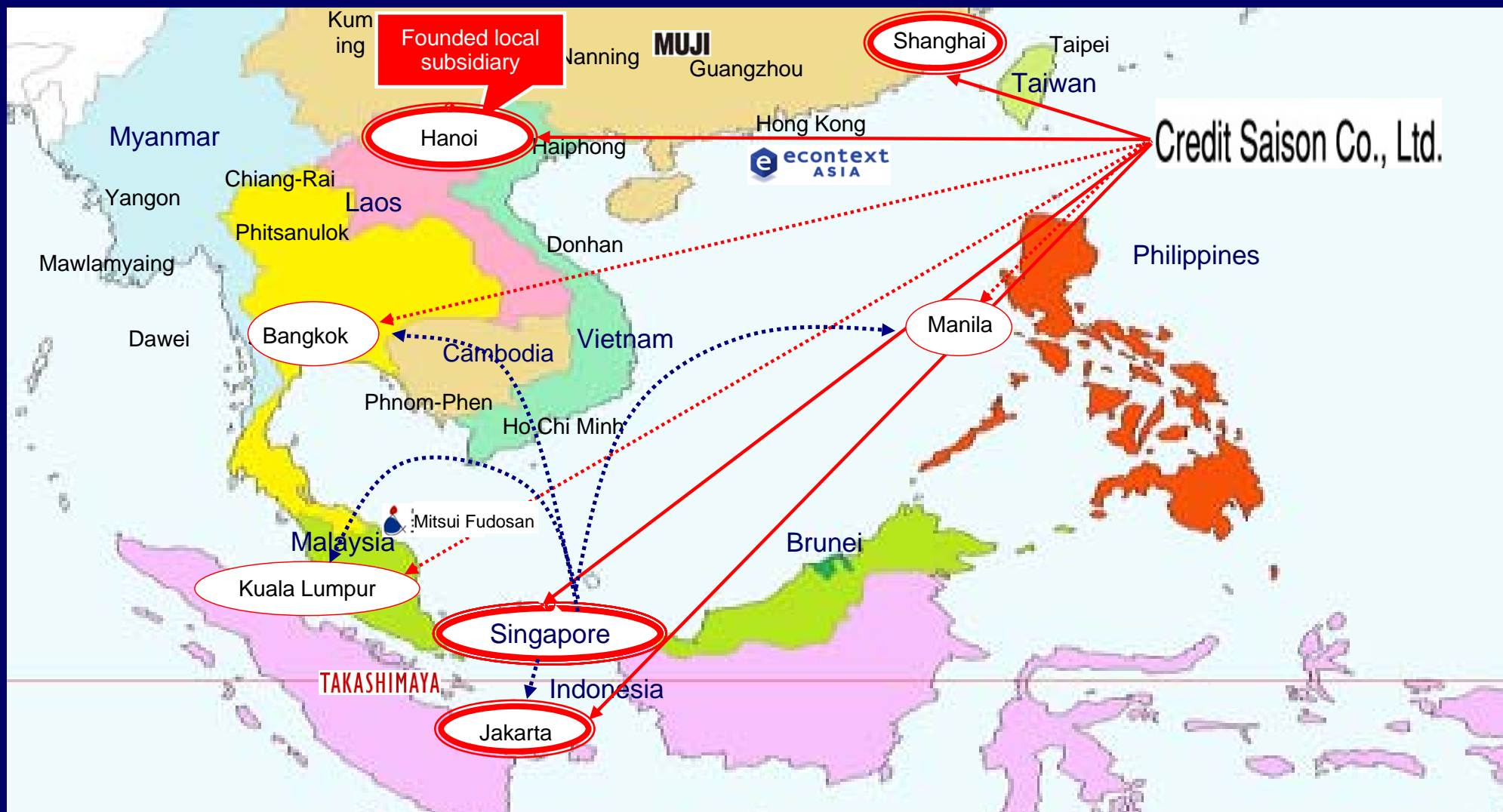
5 Active promotion of business that has diversified plying by Pursuit of collaboration management

6 The Realization of the "Innovation" of moving to 21st century management



# 1. Asian Strategy Focusing on ASEAN

## Starting retail finance business in ASEAN countries



Founded a consulting company in Hanoi City, Vietnam in April 2013

## 2. Enhancement of Customer Base Through New Card Application

Strengthen member application channels for cards with **high usage volume and high usage amount**

### Strengthen system for promoting AMEX card

- Increase BtoB payment by through application of new members for platinum business cards for business owners
- Utilize store sales power to enhance application at external bases



Annual Fees  
21,000 yen (including tax)

### Strengthen new application through WEB channels

- Enhance partnerships with net business and partner corporations
- Sales to young generations for acquirement of first card
- Conduct promotions with the condition of implementing a cashing limit



Annual Fees  
10,500 yen (including tax)

	<u>1st Half Results</u>	<u>YOY Comparison</u>	<u>Yearly Target</u>	<u>YOY Comparison</u>
New applications	1.77 million	+9%	3.5 million	+4%
(New applications via web	360 thousand	+71%	620 thousand	+15%)

# 3. Measures to Expand Shopping Transaction Volume

Promote regional vitalization, improve card services and capture demand associated with increase in consumption tax

## Regional vitalization and promotion of card usage

- Tie-up with local retail, measures for vitalizing areas (Shibuya, Sendai, Yokohama, Yaesu/Nihonbashi)
- Propose point incentive measures to leading retail (Offer 10 times the points with Takashimaya)

## Capture demand occurring before increase in consumption tax

- Advertise bonus payments and installment payments with a focus on department stores, shopping centers and electronics retail stores
- ALL Saison customer referral with collaborating clients/cash back plan



	<u>1st Half Results</u>	<u>YOY Comparison</u>	<u>Yearly Target</u>	<u>YOY Comparison</u>
Shopping transaction volume	1,842.6 billion yen	+6%	3, 836 billion yen	+8%
Shopping revolving balance	260.1 billion yen	+0.1%	265.5 billion yen	+2%

# 4. Expand Internet Business

Improve user royalties utilizing Eikyufumetsu points

## Introduce convenient services

- Introduce “Point Declaration” service
- Introduce smartphone application for Eikyufumetsu.com



## Develop new businesses

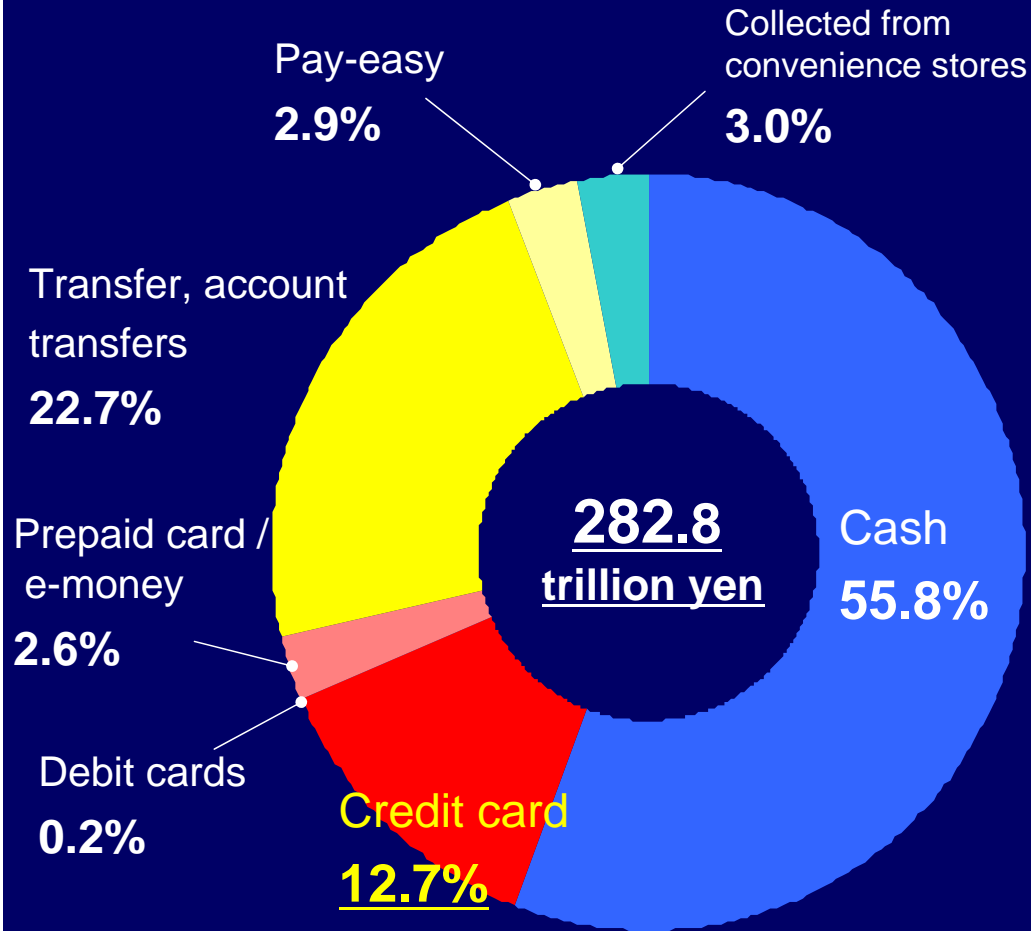
- Technological/information partnership with venture corporations that possess revolutionary technology
  - ↳ Implement the card payment link coupon “Saison CLO”
  - ↳ Enter cloud funding business
  - ↳ Commercialization of internet behavior log analysis data



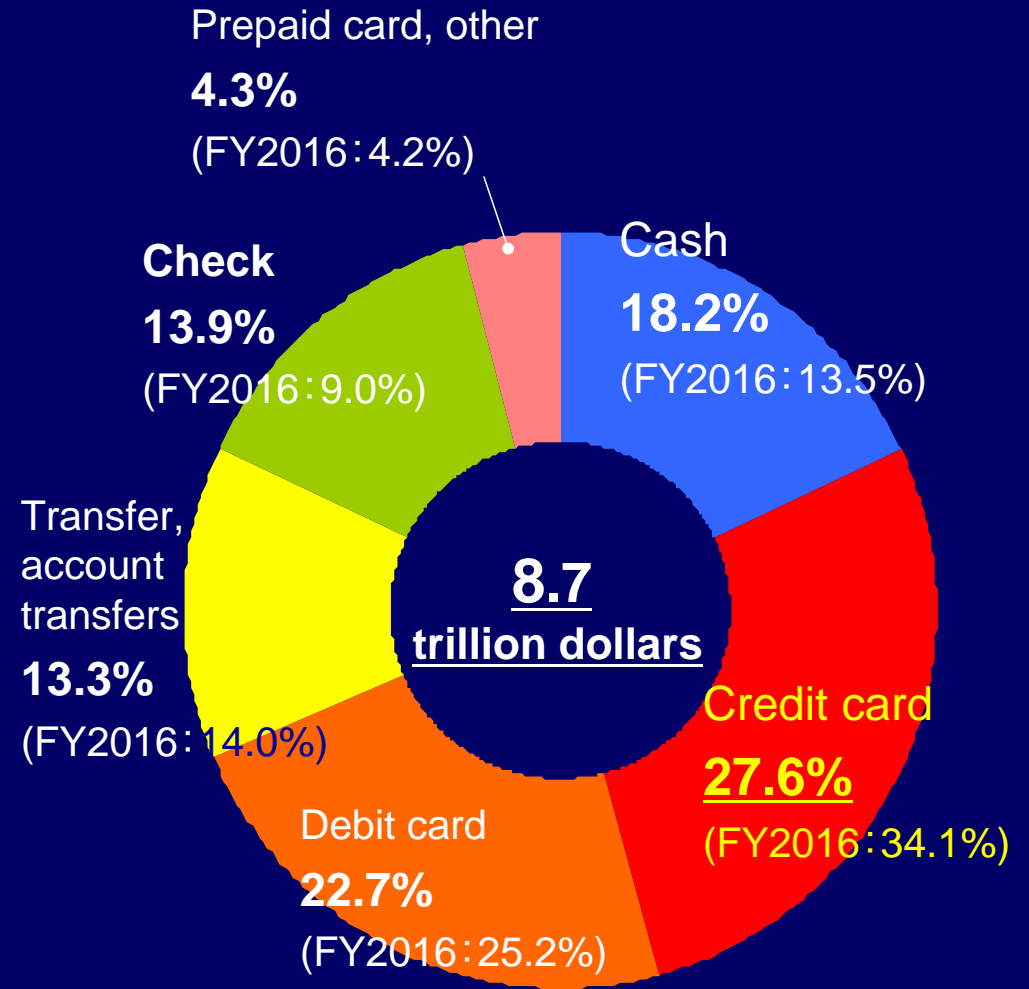
	<u>1st Half Results</u>	<u>YOY Comparison</u>	<u>Yearly Target</u>	<u>YOY Comparison</u>
Number of net members	9.28 million	+72 thousand	10 million	+1.44 million
Eikyufumetsu.com transaction volume	24.7 billion yen	+10%	60 billion yen	+27%
Contribution margin	2.2 billion yen	+38%	4.7 billion yen	+38%

# 5. Comparison of Share for Payment Service Methods in Consumer Spending in Japan and the U.S.

Japan (FY2012)



U.S.A. (FY2012 → FY2016 forecast)



\* Japan: Calculated by our company based on sources such as the Ministry of Economy, Trade and Industry, New Payment Report, Mitsubishi UFJ Research and Consulting, and official documents from various companies.

\* U.S.A: Calculated by our company based on the "2011 Results and 2016 Forecast" listed in the NILSON REPORT.



# 6. Overtake the Cash Market and Develop New Markets

Overtake the cash market through the keyword “low cost”

## Active promotion of prepaid cards

- Issuance of Visa prepaid card Cocokara Club Card

1st Half Results 1.88 million cards Yearly Target 7.25 million cards

- No credit screening, account registration, or cost of issuing billing statements
- Utilize know-how from the Cocokara Club to find new partners



?

## Enter the smartphone payment market

- Cooperate with Coiney Inc. and capture small-amount payment market
- Utilize our network to recruit more members stores
- Promote low-cost implementation for small and mid-sized retail businesses



## Overtake corporate market

- Promote implementation of Concur, a management expense payment system which seeks to improve administrative efficiency through combination with card usage data

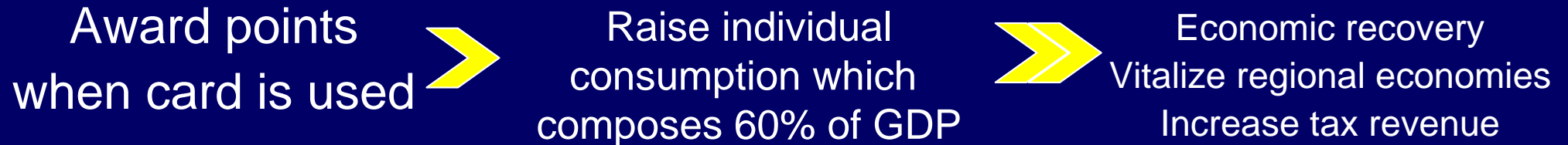
➡ Increase transaction volume for corporate cards





# 7. Life Assist Point System

Introduce the **Life Assist Point System** as a measure for stimulating consumption via credit card



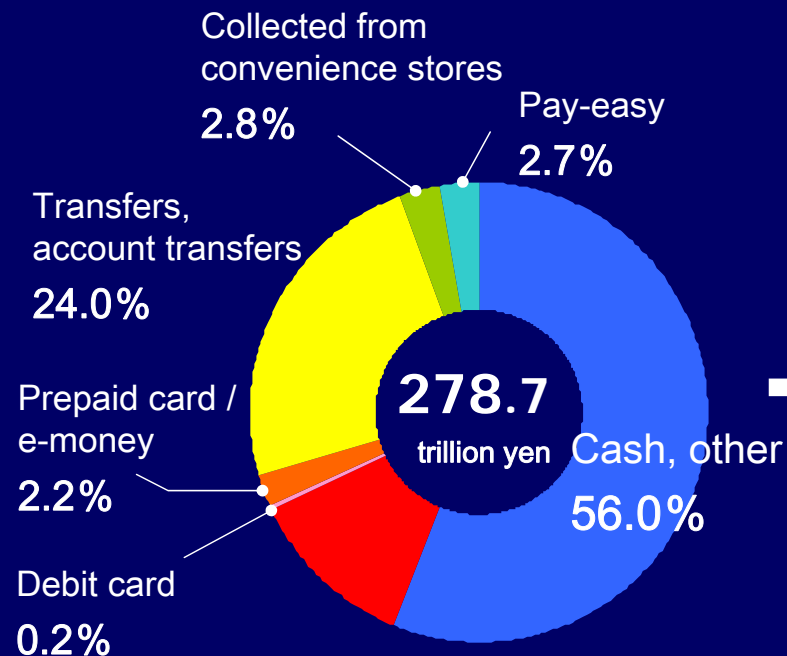
## [Overview of System]

<p>① Award points</p>	<p>Award <b>Life Assist Points</b> depending on the usage of credit cards and debit cards which can be assigned to an individual.          ⇒ Award a maximum of 5% depending on the amount that annual card usage amount exceeds 300 thousand yen.          *The award method is fair and decision are made at a council of retailers and credit card companies.</p>
<p>② Award method</p>	<p>Award a fixed amount of points depending on progression of transaction volume (awarded one every 6 months)</p>
<p>③ Exchange points</p>	<p>Based on Eco-Point System for home appliances (1 point = 1 yen)</p>
<p>(Required measures) Support the installation of payment terminals at small and mid-sized corporations</p>	<p>A scheme has been established in which payment is possible simply by attaching a dedicated reader (currently almost free) to a smartphone. This enables implementation at regional small and mid-sized business.</p>

# Benefits of Life Assist Point System (Forecast)

## [Image of effects from implementation of Life Assist Point system]

### Before implementation (FY2011)



**Credit card**  
12.1 %  
 (approx. 33.7 trillion yen)

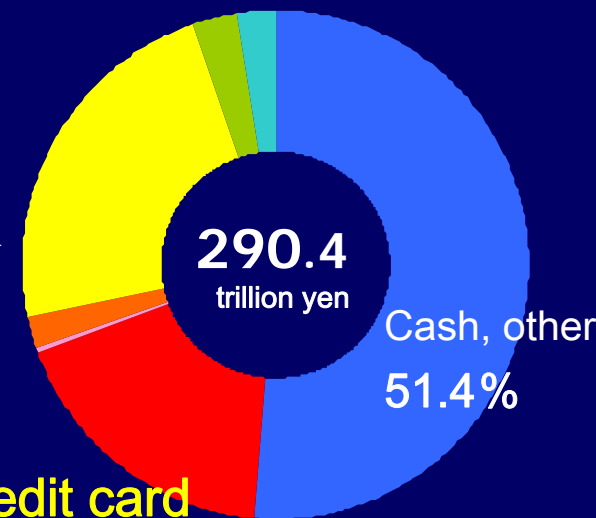
① Net increase in final consumption expenditures  
Approx. 11.7 trillion yen  
 ( Final private consumer expenditure +4.3% )

② Amount of shift of payment methods from cash to credit card  
Approx. 6.8 trillion yen

③ Net increase in credit card transaction volume ( ① + ② )  
Approx. 18.5 trillion yen

④ Tax revenue effect (Consumption + Corporate tax )  
Approx. 1.6 trillion yen

### After implementation



**Credit card**  
18.0 %  
 (approx. 52.2 trillion yen)

**600 billion**  
 Amount of points awarded  
Approx. 1 trillion yen

Created by the Company based on the results of surveys and preliminary calculations\* (July 2012) by Nomura Research Institute, Ltd.  
 \*Final private consumer expenditure was calculated based on approximately 270 trillion yen for 2011. Within the approximately 270 trillion yen, we calculated increases for approximately 216 trillion yen, assuming that approximately 80% of items and expense items will increase as a result of increased consumption. The increased amount (net increase in consumption) for final private consumer expenditure was calculated on questionnaire results. Calculated by estimating an increase ratio to final private consumer expenditure.

# 8. Finance Business Lease and Rental Business

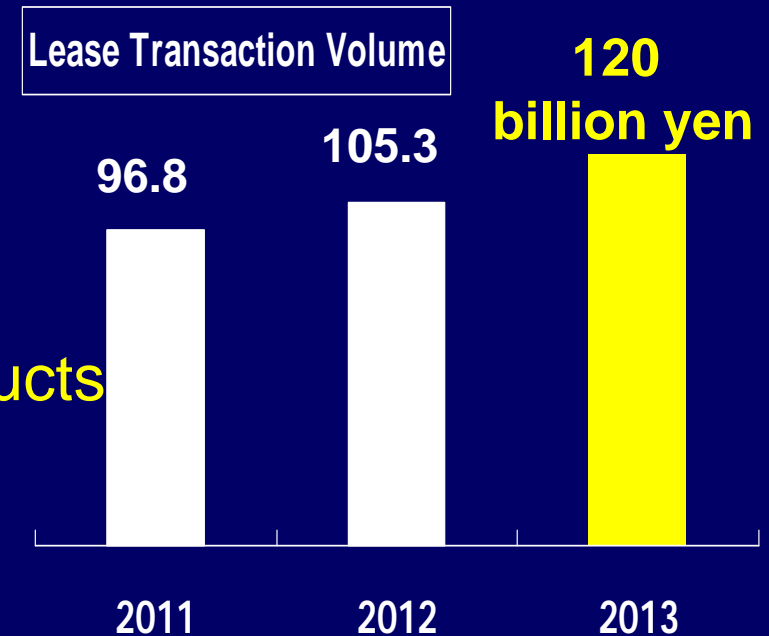
Increase transaction volume through sales focusing on main stores and development of new products

## Dramatic increase in sales ability

- Detailed sales approach to main stores
- Active sales to 3 manufacturers of composite machines (focus on Canon, Ricoh and Xerox)

## Challenge the development of new products

- In addition to OA devices, develop new fields such as kitchen equipment and air conditioning equipment
- Expansion of LED lighting leases and rental schemes (expansion of stores and handled products)



		<u>1st Half Results</u>	<u>YOY Comparison</u>	<u>Yearly Target</u>	<u>YOY Comparison</u>
Lease/Rental	Transaction volume	57.3 billion yen	+7%	120 billion yen	+15%
	Operating revenue	6.9 billion yen	(4%)	14.5 billion yen	±0%

# 9. Finance Business Credit Guarantee Business

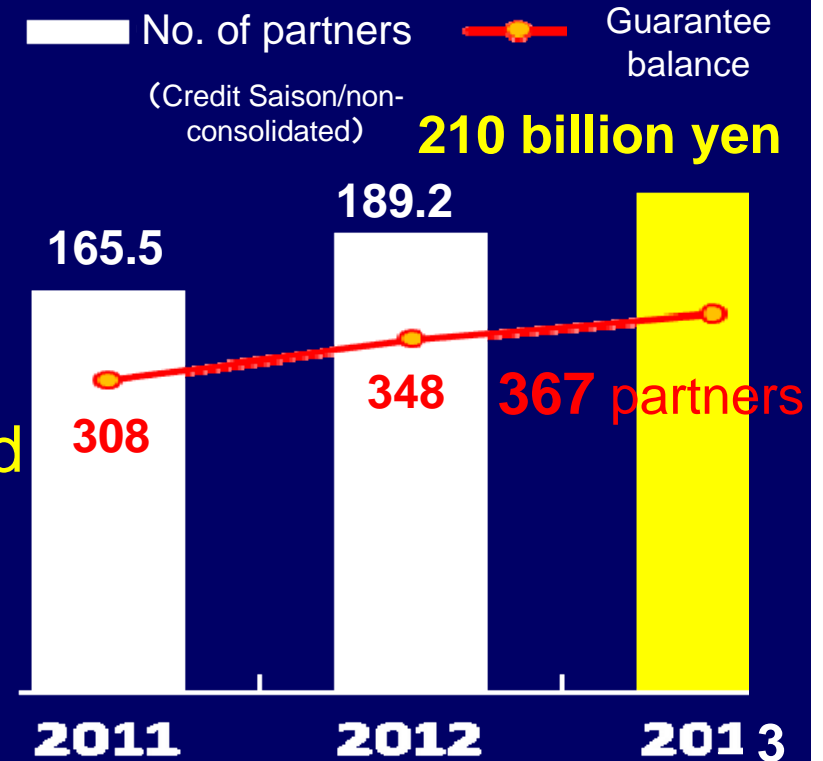
Accumulate a high-quality guarantee balance by invigorating existing partners and forming new partnerships

## Increase balance with existing partners

- Promote free loans used as business capital and triple screenings
- Support loan sales through training for female personnel of regional financial institutions

## Form new partnerships with locally-based financial institutions

- Utilize guarantee ability, versatility, convenience and speed to recruit new partners with a focus on credit unions



	<u>1st Half Results</u>	<u>No.of new partners/YOY</u>	<u>Yearly Target</u>	<u>No.of new partners/YOY</u>
No. of partners	360	+13	367	+25
Guarantee balance	203.6 billion yen	+13%	210 billion yen	+11%
Operating revenue	5.9 billion yen	+12%	12.3 billion yen	+12%

# 10. Finance Business Other Finance Products

## Active promotion of loan business utilizing the Saison brand

### Expand Flat 35 with goal of capturing No. 1 share in industry

- Conduct sales based on features such as “speedy screening,” “granting of loans on Saturdays, Sundays and holidays,” and “loans for 100% of home purchase price”

### Promotion for Asset Formation Loan

- Utilize expert credit know-how to accumulate good credit claims
- Increase close relationship with existing partners and acquire new partners

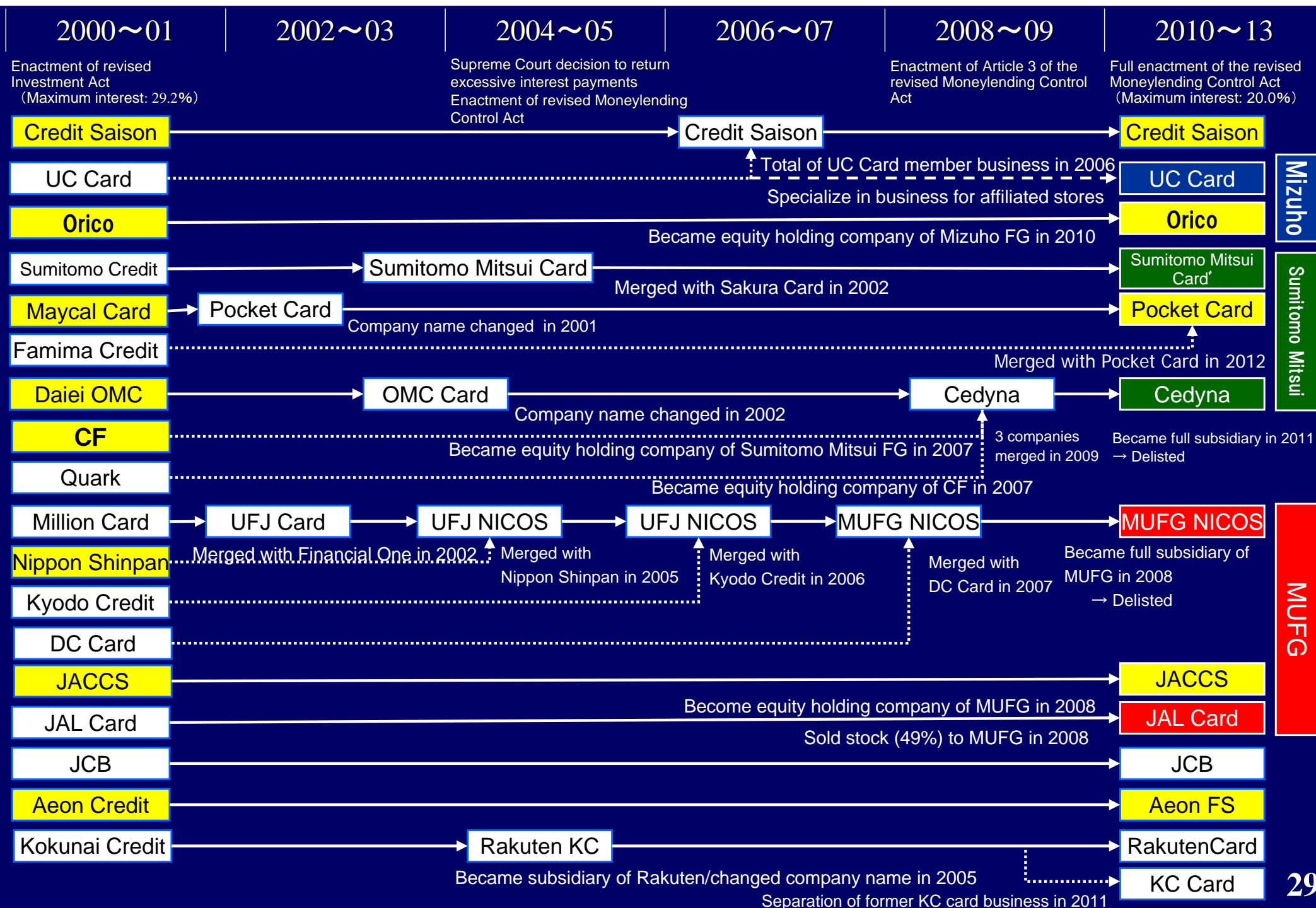
### Promote Finance Business

- Accumulate balance for non-recourse loans through actions with major players backed by quality properties
- Invigoration of existing products and planning/development of new products



		<u>1st Half Results</u>	<u>YOY Comparison</u>	<u>Yearly Target</u>	<u>YOY Comparison</u>
Flat 35	Transaction volume	29.5 billion yen	+47%	60 billion yen	+24%
	Balance	177.9 billion yen	+38%	202.7 billion yen	+32%
Asset Formation Loan	Transaction volume	9.4 billion yen	—	22 billion yen	+395%
	Balance	13.6 billion yen	—	26 billion yen	+490%

# (Reference) Changes in domestic credit card industry



Mizuho



Sumitomo Mitsui

MUFG












# ( Reference ) Restructuring of the Domestic Credit Card Industry

### Mizuho FG






WAON

### Credit Saison
















### Resona HD





nanaco




### Sumitomo Mitsui FG



### Mitsubishi UFJ FG





JA CARD






### NTT DoCoMo







### Rakuten






















JCB

### JR Group



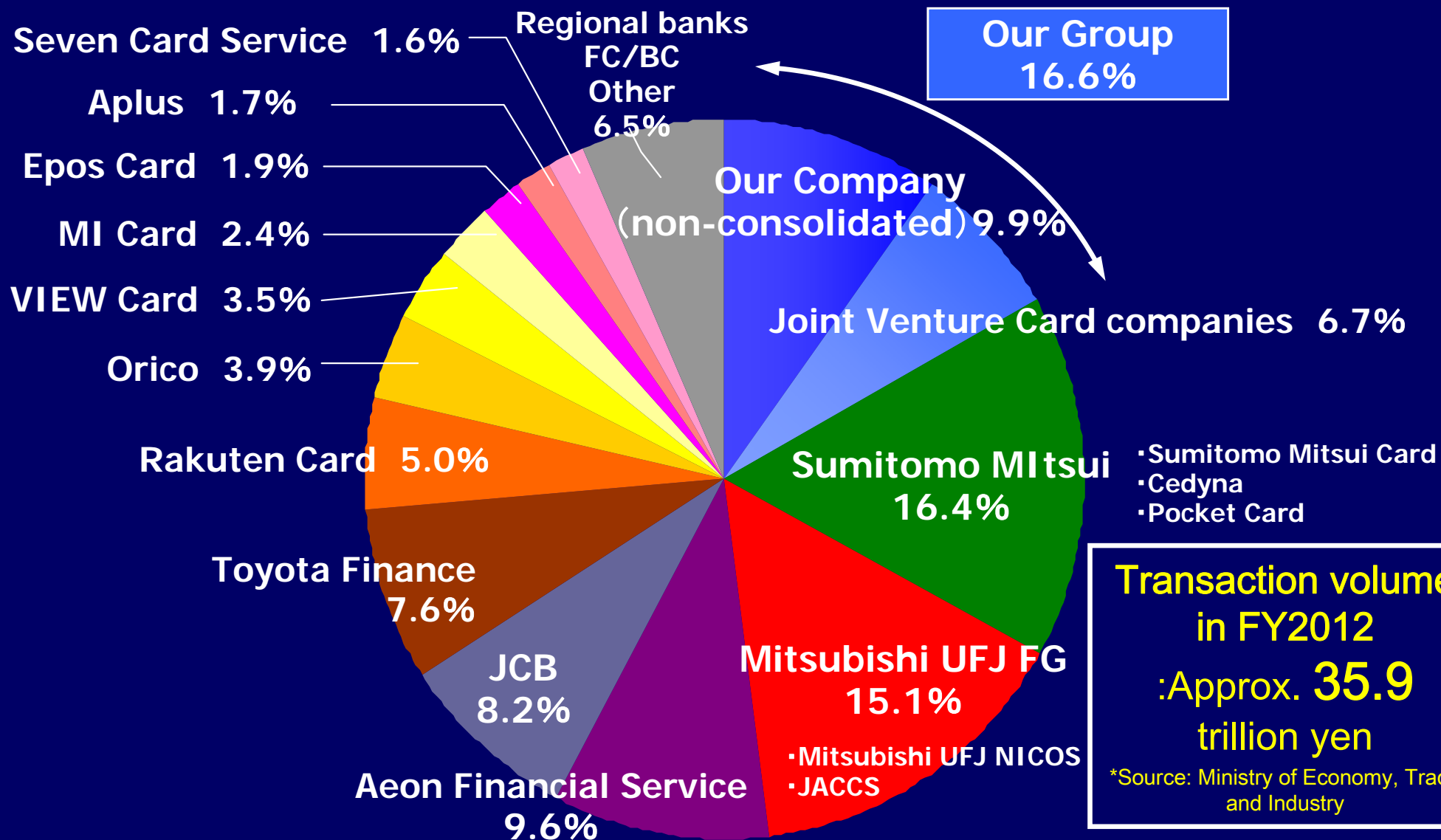
### Others



# ( Reference ) Domestic Market Share (Shopping Transaction Volume)

## ■ Card shopping transaction volume (issuer base) 【2012 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 (approx. 115) are calculated as "FC and BC of regional banks"

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

# III. Social Contribution Through Activities to Protect the Natural Environment

3 years have passed since the park opened and it has become more well-known. 29,763 people have already visited the park this year, more than the total for last years (130.8% increase YOY; as of Sept. 30). Starting from this year, visitors can buy a passport valid for 1 year. Furthermore, the park is open on special days for passport holders only. Through such measures, we are working to encourage repeat visitors.

We are also enhancing publicity in order to allow more people to experience nature. We are working to facilitate communication which utilizes the internet, such as a homepage, blog, Facebook and email magazine.

## FY2013 Open Days

Spring	Apr. 5 (Fri) ~ June 9 (Sun) 20,401 people (127.3% increase YOY)
Summer	July 12 (Fri) ~ Aug. 25 (Sun) 6,409 people (135.0% increase YOY)
Early Autumn	Sept. 13 (Fri) ~ Oct. 6 (Sun) 3,541 people (184.0% increase YOY)
Late Autumn	Oct. 18 (Fri) ~ Nov. 17 (Sun)



## 2013 Sponsor Corporations (listed in order by Japanese alphabet)

