

Credit Saison (8253) Announces Financial Results for the First Half of Fiscal Year 2014
Strong Performance in Operating income of ¥22.5 billion (2.9% year-on-year increase) and
quarterly net income of ¥18.5 billion (5.0% year-on-year increase) thanks to increases of
transaction volume and balance of shopping and cashing, and expansion of Finance
Business

During the first half of fiscal year 2014, the Credit Services Business saw an increase in card usage in service fields such as communications and travel, as well as super shopping centers and super markets including outlet and specialty stores. As a result, transaction volume of shopping increased by 8.0% compared to the corresponding period in the previous year. Transaction volume of corporate cards also increased by 21.8% compared to the corresponding period in the previous year, thanks to efforts to expand usage of the corporate cards that help corporate business facilitate cashless settlement of expenses and, consequently, save labor for such settlement. For card cashing, the Company continued measures to promote card usage. As a result, users increased, and transaction volume also rose by 7.5% compared to the corresponding period in the previous year. Moreover, the balance has increased steadily from the end of February, 2014.

In the Lease Business, the Company carried out joint campaigns with major partners and expanded the range of products handled by retailers. As a result, operating income increased by 1.5% compared to the corresponding period in the previous year.

In the Finance Business, the Company newly partnered with 7 regional financial institutions in Japan to expand the number of the partners to 375. As a result, guarantee balance increased by 6.7% compared to the corresponding period in the previous year, showing steady business expansion. In the business of Flat 35, long-term fixed-rate housing loans, although total transactions for the market are decreasing due to the hike in consumption tax, the loan balance (i.e. the balance after assignment of claims to the Japan Housing Finance Agency) increased steadily. In addition, both transaction volume and balance of the Saison Asset Formation Loans substantially expanded, thanks to the effort to respond to growing demand for real-estate investment, as well as administrative cooperation with prominent partners. As a result, operating income increased by 18.2% compared to the corresponding period in the previous year, and the Company is steadily expanding its business base as a non-bank financial business.

Because the Company made prior investment to expand its customer base and to centralize its operations for future sustainable growth, **operating income rose to ¥22.5 billion (2.9% year-on-year increase) and ordinary income fell to ¥26.6 billion (2.6% year-on-year decrease). As a result, quarterly net income was ¥18.5 billion (5.0% year-on-year increase).**

A summary of performance for each segment during the first half of fiscal 2014 is as follows.

1. Sales Summary

(1) Credit Services Business

The Credit Services Business strived to expand customer base and attract new customers. As a result, operating revenue rose to ¥96.4 billion, up 2.8% from the previous quarter, and operating income fell to ¥9.6 billion, down 3.2% from the previous quarter.

- 1) For shopping, the Credit Services Business conducted various campaigns: such as the one to increase usage in collaboration with partner retailers; the one to promote utilization of revolving payments and bonus payments; the one to increase card use in the local areas across Japan including Sapporo, Karuizawa and Kichijoji; and the one to promote card settlement with continued usage such as public utilities fees and communication fees. As a result, transaction volume was ¥1,989.3 billion, up 8.0% from the previous quarter, and revolving balance was ¥281.3 billion, up 5.0% from the end of the previous quarter, respectively showing steady growth.
- 2) For cashing, the business expanded steadily, thanks to the continued measures to promote card usage including the granting of appropriate credit limits. As a result, transaction volume was ¥144.5 billion, up 7.5% from the previous quarter, and balance was ¥245.1 billion, up 0.1% from the end of the previous quarter.
- 3) There were 1,170 thousand newly issued cards, thanks to the efforts to promote the Platinum or Gold Card among various “Saison American Express® Cards”, which are expected to yield high activity and high sales, and to invite new members through the partner retailers.
- 4) In the Internet Business, with an aim to enhance profitability, the Company collaborated with major Internet companies and venture companies that have innovative technologies, and has developed new Internet business jointly with them. In addition, the Company started to provide smart-phone application called “Saison Portal” and “UC Portal” for the card members in July, in order to improve user-friendliness of its Internet business. As a result, the number of the Internet business members increased to 105.9 thousand, up 6.4% from the end of the previous quarter.
- 5) In May, the Company collaborated with KDDI Corporation and WebMoney Corporation, and made business contracts with them for various activities such as issuance of their “au WALLET Cards” and “WebMoney Cards with MasterCard® Prepaid Functionality.” In addition, the Company made efforts to increase the number of financial institutions that handle “NEO MONEY,” cards that can be used only in overseas countries, in order to promote adoption of prepaid cards under the international brand names.

(2) Lease Business

Enhanced sales ability resulted in operating revenue of ¥7 billion, up 1.5% from the previous year, and operating income of ¥3.0 billion, up 7.9% from the previous quarter.

- ① The Lease Business conducted joint campaigns with distributors, mostly major partner retailers, based on the characteristics of each distributor and enhanced sales ability to expand the range of handled products to include kitchen equipment in addition to OA devices and communication devices.

(3) Finance Business

Strengthened cooperation with partners and diversification of products resulted in operating revenue of ¥10.7 billion, up 18.2% from the previous year, and operating income of ¥6.0 billion, up 33.8% from the previous quarter.

- 1) In the credit guarantee business, close cooperation with regional financial institutions resulted in new partnership with 7 regional financial institutions. As a result, the number of the partners expanded to 375 (increase by 15 on a year-on-year basis), and the guarantee balance was ¥245.4 billion, up 6.7% from the end of the previous quarter.
- 2) For Flat 35, long-term fixed-rate housing loans, sales collaboration with our partnered financial institutions was strengthened, although total transactions for the market are decreasing due to the hike in consumption tax. As a result, the number and amount of new lending increased respectively to 1,066 (up 0.5 % on a year-on-year basis) and to ¥29.5 billion (up 0.3 % on a year-on-year basis), and the loan balance (i.e. the balance after assignment of claims to the Japan Housing Finance Agency) expanded to ¥253.6 billion, up 16.0% from the end of the previous quarter.
- 3) For the Saison Asset Formation Loans which were released in 2013, strengthened cooperation with prominent partners resulted in substantial growth. New lending was ¥16.2 billion, up 74.2% year-on-year, and loan balance was ¥47.6 billion, up 49.3% from the end of the previous quarter.

(4) Real Estate Related Business

Thanks to active sales efforts and a recovery in the real-estate market, Atrium Co., Ltd., a consolidated subsidiary, is advancing steadily. Furthermore, the Real Estate Related Business is working to achieve early asset reduction for development projects in the land readjustment business.

2. Overview of Ordinary Income and Net Income

Because the Company made prior investment to expand its customer base and to centralize its operations for future growth, **operating income rose to ¥22.5 billion (2.9% year-on-year increase) and ordinary income fell to ¥26.6 billion (2.6% year-on-year decrease). As a result, quarterly net income was ¥18.5 billion (5.0% year-on-year increase).**

<The forecast of consolidated business results for the full fiscal year ending March 31, 2015>

	Operating revenue	Operating income	Ordinary income	Net income	Net income per share
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)	(yen)
Previous announced forecast (A)	253,000	34,000	40,000	23,000	125.25
Actual results (B)	256,000	42,000	49,000	32,000	174.26
Amount of increase or decrease (B)-(A)	3,000	8,000	9,000	9,000	
Rate of change (%)	1.2	23.5	22.5	39.1	
(For your reference) Actual results of the previous term (Term ended March 31, 2013)	247,577	36,336	44,408	25,552	139.14

<The forecast of non-consolidated business results for the full fiscal year ending March 31, 2015>

	Operating revenue	Operating income	Ordinary income	Net income	Net income per share
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)	(yen)
Previous announced forecast (A)	212,500	30,500	34,000	17,500	95.26
Actual results (B)	217,000	37,650	40,800	25,000	136.08
Amount of increase or decrease (B)-(A)	4,500	7,150	6,800	7,500	
Rate of change (%)	2.1	23.4	20.0	42.9	
(For your reference) Actual results of the previous term (Term ended March 31, 2013)	205,873	29,826	34,872	18,637	101.45

References

◆Non-consolidated results for April - September 2014

(1)New card members acquired	1,490,000	(down 15.6% YOY)
(2)New cards issued	1,170,000	(down 8.0% YOY)
(3)Total No. of card members	24,800,000	(net increase of 50,000 members from end of previous fiscal year)
(4)Active card members	14,460,000	(net increase of 260,000 members from end of previous fiscal year)
(5)Active ratio	58.3%	(up 0.2% from end of previous fiscal year)
(6)Shopping transactions Volume	¥1,989.3 billion	(up 8.0% YOY)
(7)Shopping revolving credit balance	¥281.3 billion	(up 5.0% from end of previous fiscal year)
(8)Card advance transaction volume	¥139.8 billion	(up 7.1% YOY)
(9)Card cash advance balance	¥220.0 billion	(up 0.6% from end of previous fiscal year)
(10)Operating revenue	¥106.2 billion	(up 5.2% YOY)
(11)Ordinary income	¥21.9 billion	(up 8.5% YOY)
(12)Apr. to Sep.2014 Net income	¥13.5 billion	(up 14.2% YOY)