

Credit Saison (8253) Announces Financial Results for April - December 2014

We strongly promote card settlement in corporate fields and
have actively unrolled upfront investment in overseas businesses.

During the nine-month period ended December 2014 (FY 2014), collaboration with affiliated retail shops proved successful as the *Credit Service Business* saw an increase in card usage in shopping centers, supermarkets and convenience stores. In addition, as one of the important management strategy, the Company has been promoting acquisition and usage of corporate cards aiming for cashless settlement of expenses within companies. As a result, compared to the same period in the previous fiscal year, transaction volume for corporate cards increased by 23.3%, and shopping transactions balance was also up by 8.0%. For cashing, transaction volume increased by 7.6% from the same period in the previous fiscal year, as an effect of the efforts concentrated on attracting new customers and boost usage level.

In the Internet Business, with an aim to create opportunities for future income from various services, the Company has collaborated with major Internet companies and venture companies that have innovative technologies, and has developed new Internet business jointly with them. In the Overseas business, amid the efforts to expand to new areas by using prepaid cards under international brand names, the Company has been working to establish a base for retail financial operations through a capital and business alliance with Matchmove Pay Pte Ltd. (Singapore), referred to as a groundwork for future development in the prepaid card business throughout Asia.

In the *Finance Business*, the Company newly partnered with 8 regional financial institutions in Japan and thus expanded the number of partners to 376, in an attempt to also guarantee business loans that match the financial needs of individual entrepreneurs and the like. Guarantee balance increased by 10.1% compared to the same period in the previous fiscal year. For the Saison Asset Formation Loans matching the growing needs of real estate investors, strengthened cooperation with prominent partners resulted in substantial growth in the loan balance which was up 76.3% from the end of the previous quarter. Consequently, the operating revenue for the overall Finance business increased by 15.6% compared to the same period in the previous fiscal year.

Therefore **non-consolidated results: an operating revenue of ¥161.8 billion (up 5.3% year-on-year), an operating income of ¥30.8 billion (up 17.8% year-on-year), an ordinary income of ¥33.6 billion (up 10.0% year-on-year), and a quarterly net income of ¥20.1 billion (up 14.7% year-on-year).**

And **consolidated results showed: an operating revenue of ¥192.1 billion (up 3.0% year-on-year), an operating income of ¥35.7 billion (up 7.1% year-on-year), an ordinary income of ¥40.1 billion (down 5.4% year-on-year), and a quarterly net income of ¥25.8 billion (down 6.0% year-on-year).**

A summary of performance for each segment during the third quarter of fiscal 2014 is as follows.

1. Sales Summary

(1) Credit Services Business

The Credit Services Business strove to expand customer base and promote larger use of cards. As a result, operating revenue rose to ¥147.5 billion (up 4.0% year-on-year), and so did operating income to ¥17.2 billion (up 8.3% year-on-year).

- 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; and the one to promote card settlement with continued usage such as public utilities fees and communication fees. As a result, transaction volume was ¥3,057.3 billion (up 8.0% year-on-year), and revolving balance recorded ¥289.3 billion, (up 9.6% year-on-year), respectively showing steady growth.
- 2) For cashing, transaction volume recorded ¥218.4 billion, up 7.6% from the same period last year, as an effect of the efforts concentrated on attracting new customers and boost usage level.

- 3) There were 1,760 thousand newly issued cards - Saison American Express® Card, WalMart Card Saison American Express® Card, and Mitsui Shopping Park Card Saison, among premium cards. This number was reached thanks to a reinforced call for corporate and individual entrepreneur membership, apart from the invitation of new members through partner retailers which went on regardless.
- 4) In the Internet business, the Company made efforts to expand the use of Internet services through the "Saison Portal" and "UC Portal" smartphone applications it had started providing in response to the proliferation of smartphones. As a result, the number of the Internet business members increased to 10,910 thousand, up 9.6% from the end of the previous quarter.
- 5) In the Overseas business, the Company has been working to establish the foundation of an overseas strategy for a mid-to-long term application, first in November 2014, when the Company formed a capital and business alliance with Matchmove Pay Pte Ltd. (Singapore) which dedicates to the virtual prepaid card business; then in December, when it acquired a stake in Coin, Inc. (United States) which collects the functions of multiple magnetic-strip credit cards onto a single device called a "Coin."

(2) Lease Business

Operating income recorded ¥4.5 billion (up 3.9% year-on-year) as a result of an increased number of high-quality loans together with lower bad debt-related expenses.

- 1) The Lease Business enhanced sales thanks to joint campaigns with distributors, mostly major partner retailers, based on the characteristics of each distributor, as well as to the expansion of handled products. Also, the Company struggled to reduce bad debt-related cost in this business by granting appropriate credit limit and strengthening the collection of receivables.

(3) Finance Business

The Company has steadily expanded its business base as a non-bank financial business thorough strengthened cooperation with partners and diversified products. As a result, operating revenue rose to ¥16.2 billion (up 15.6% year-on-year) and operating income was ¥9 billion (up 26.6% year-on-year).

- 1) In the credit guarantee business, close cooperation with regional financial institutions resulted in new partnership with 8 regional financial institutions. As a result, the number of the partners expanded to 376 (increase by 19 on a year-on-year basis), and the guarantee balance performed well, as it reached ¥253.3 billion, up 10.1% from the end of the previous quarter.
- 2) For the Saison Asset Formation Loans which were released in 2013, strengthened cooperation with prominent partners resulted in substantial growth. New lending was ¥25.2 billion, up 60.4% year-on-year, and loan balance was ¥56.2 billion, up 76.3% from the end of the previous quarter.
- 3) For Flat 35, long-term fixed-rate housing loans, sales collaboration with our partnered financial institutions was reinforced, although total transactions for the market are decreasing due to the hike in consumption tax. As a result, balance after transfer of receivables to the Japan Housing Finance Agency) showed a steady increase to ¥264.4 billion, up 20.9% 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

Due to the Company's prior investment to strengthen its customer base for future sustainable growth, **operating income rose to ¥35.7 billion (up 7.1% year-on-year), while ordinary income fell to ¥40.1 billion (down 5.4% year-on-year), and quarterly net income decreased to ¥25.8 billion (down 6.0% year-on-year).**

References

◆ Non-consolidated results for April - December 2014

(1) New card members acquired	2,230,000	(down 12.3% YOY)
(2) New cards issued	1,760,000	(down 9.0% YOY)
(3) Total No. of card members	24,850,000	(net increase of 100,000 members from end of previous fiscal year)
(4) Active card members	14,570,000	(net increase of 370,000 members from end of previous fiscal year)
(5) Active ratio	58.6%	(up 0.5% from end of previous fiscal year)
(6) Shopping transactions volume	¥3,057.3 billion	(up 8.0% YOY)
(7) Shopping revolving credit balance	¥289.3 billion	(up 9.6% YOY)
(8) Card advance transaction volume	¥209.9 billion	(up 7.4% YOY)
(9) Card cash advance balance	¥218.1 billion	(up 0.3% YOY)
(10) Operating revenue	¥161.8 billion	(up 5.3% YOY)
(11) Ordinary income	¥33.6 billion	(up 10.0% YOY)
(12) Q3/FY 2014 Net income	¥20.1 billion	(up 14.7% YOY)