

Credit Saison (8253) Announces Financial Results for Fiscal Year 2014

Active promotion of card acquisition and use in the corporate fields
and solid expansion in finance business.

In FY2014, the *Credit Service Business* of Credit Saison expanded on all fronts. The Company recruited members in cooperation with affiliated retail shops and incentivized card usage. To broaden the range of settings in which card settlement is used, the Company offered a wide assortment of settlement services, including issue of prepaid cards and smartphone settlement. As a result, card usage swelled at shopping centers, supermarkets and convenience stores, pushing shopping transaction volumes up 6.1% over the previous fiscal year (YoY) and propelling firm growth in revolving balances of 10.1% over the previous fiscal year-end. To achieve a variety of cashless settlement solutions for corporate customers, the Company strongly supported corporate card acquisition and use, boosting corporate-card transaction volume 22% YoY. In cash advances, concerted focus on ongoing promotion of cash-advance use resulted in an increase in new users, raising cash-advance transaction volume 4.9% YoY.

In the Internet Business, the Company launched Saison Portal and UC Portal, two smartphone apps that open new lines of communication with online members. Eight months after introduction, the apps have been downloaded more than 500,000 times, promoting the use of online services and expanding online membership.

Turning to the Overseas business, the Company continued to build the foundations of its retail finance operations in Asia ex-Japan. In Vietnam, Credit Saison entered into a capital partnership with Ho Chi Minh Development Joint Stock Bank, whose corporate group includes one of the country's leading financing firms. The Company is pressing ahead with preparations for joint operations, in a bid to make this bank Vietnam's undisputed leader in general retail financing.

Credit Saison's *Finance Business* enjoyed burgeoning growth. In credit-guarantee operations, the Company strengthened its lineup of untied-loan guarantee products, concluding new partnerships with 16 regional financial institutions. These efforts brought the Company's number of partner regional financial institutions to 382 and raised guarantee balances 13.9% over the previous fiscal year-end. In Flat 35, the Company's long-term, fixed-rate housing loan, and Saison Asset Formation Loans, a product serving the needs of real-estate investment, the Company teamed up with capable partners to hike loan balances for Flat 35 (balance after transfer of receivables to the Japan Housing Finance Agency) to 29.8% above the previous fiscal year-end and double loan balances for Saison Capital Formation Loan to 112.2% over the previous fiscal year-end. Overall operating revenue in the financing business advanced 19.3% YoY.

At the same time, to prepare for future exigencies, the Company transferred funds to provision for loss on interest repayments and drew down deferred tax assets in tandem with a change in the legally designated effective tax rate used to calculate deferred tax assets in the consolidated fiscal year under review. **Operating revenue grew to ¥259 billion (up 4.6% YoY) and operating income rose to ¥40.1 billion (up 10.5% YoY), while ordinary income retreated to ¥43.6 billion (down 1.6% YoY) and net income to ¥12.6 billion (down 50.6% YoY).** A summary of performance by segment for the consolidated fiscal year under review is as follows.

1. Sales Summary

(1) Credit Services Business

The Company expanded its customer base by issuing 2.37 million new cards and increased the number of active members by 380,000. Operating revenue lifted to ¥199.2 billion (up 5.1% YoY), while operating income grew to ¥15.3 billion (up 4.2% YoY).

- ① Shopping transaction volumes appreciated to ¥4,089.3 billion (up 6.1% YoY) and revolving balances improved to ¥294.9 billion (up 10.1% from end of previous fiscal year), demonstrating firm growth.
 - The Company promoted the use of cards in cooperation with partner retailers, in a bid to sweep away the impact of a recent hike in the consumption-tax rate.
 - The Company promoted the use of revolving payments and bonus-period payments and expanded use for continuing payments such as public-utility and communications fees.
 - Strengthened efforts to promote acquisition and use of corporate cards engendered a 22% increase in corporate-card transaction volumes.
- ② In cash advances, the Company sought to expand its base of new users by focusing on measures promoting application for cash-advance privileges at the time of card application and promotion of continuous (recurring) card use. Transaction volumes rose 4.9% YoY to ¥288.1 billion.
- ③ The Company promoted membership recruitment in close collaboration with partner retail outlets for Saison American Express® Card, a premium card, particularly the Platinum and Gold Cards, as well as Wal-Mart Card Saison American Express® Card and Mitsui Shopping Park Card Saison.
- ④ Launched in July 2014, the smartphone apps Saison Portal and UC Portal have already broken through the 500,000-download mark. These apps enable users to check their usage balance and never-expiring point totals during spare moments, thereby promoting the use of online services. The number of online members increased 12.6% from end of previous fiscal year to 11.21 million.

(2) Lease Business

Transaction volumes in the leasing business declined to ¥106.8 billion (down 6.9% YoY), while operating income subsided to ¥5.9 billion (up 1.8% YoY). The consumption-tax hike was a factor in both of these results.

The Company undertook joint campaigns with partner retail outlets based on the characteristics of each retailer and expanded the range of products handled. Through these efforts, the Company worked to strengthen sales, establish suitable credit limits and ensure a healthy credit structure.

(3) Finance Business

In financing, the Company strove to build closer relationships with partners and diversify its product lineup in response to customers' financing needs, steadily expanding its non-bank operating base. Operating revenue leapt to ¥22.8 billion (up 19.3% YoY), while operating income soared to ¥13.2 billion (up 32.0% YoY).

- ① In credit-guarantee operations, the Company responded to the needs of individual business operators with untied-loan guarantee products for a broader scope of business applications, thereby building close-knit relationships with regional and other financial institutions. As a result, Credit Saison attracted 16 new partner financial institutions, raising the number of such partners to 382 (14 more than at the previous fiscal year-end). Guaranteed balances grew a robust to ¥262.0 billion (up 13.9% from end of previous fiscal year).
- ② The Company boosted sales efforts with distributors for Flat 35, a housing-loan product with a long-term fixed rate. Balance after transfer of receivables to the Japan Housing Finance Agency expanded 29.8% against the previous fiscal year-end to ¥283.8 billion.
- ③ For the Saison Asset Formation Loan, launched in FY2013, the Company issued ¥37.3 billion of loans (up 34.1% YoY), thanks to strengthened coordination with leading partners. The total loan portfolio more than doubled, rising 112.2% against the previous fiscal year-end to ¥67.7 billion.

(4) Real Estate Related Business

Spurred by concerted sales efforts, operating revenue rose to ¥13.0 billion (up 3.3% YoY) and operating income advanced to ¥4.5 billion (up 15.8% YoY).

Atrium Co., Ltd., a consolidated subsidiary of the Company, posted steady advances during the period under review, powered by a recovering real-estate market and proactive sales efforts. Sales of large projects in the liquidation segment and development projects also made satisfactory progress.

2. Overview of Ordinary Income and Net Income

Credit Saison took a broad swath of measures to establish a stable and sustainable operating platform. The Company expanded its accumulation of high-quality loans. To prepare for exigencies, the Company transferred ¥9.9 billion to its reserves for losses from interest repayment. And loss on disposal of a portion of the corresponding assets worth ¥8.5 billion as a extraordinary loss. In addition, the Company drew down ¥6.6 billion in deferred tax assets in tandem with a change in the legally designated effective tax rate used to calculate deferred tax assets. **Operating revenue improved to ¥259.0 billion (up 4.6% YoY), operating income advanced to ¥40.1 billion (up 10.5% YoY) and ordinary income declined to ¥43.6 billion (down 1.6% YoY). Net income more than halved, falling to ¥12.6 billion (down 50.6% YoY).**

3. Next Period Forecast

In business results by segment for the full 2015 fiscal year, the Company forecasts **an increase in operating revenue to ¥230.0 billion (up 4.9% YoY), growth of ordinary income to ¥46.0 billion (up 19.6% YoY) and a surge in net income to ¥27.5 billion (up 143.0% YoY).**

In the forecast of consolidated business results, the Company forecasts **an increase in operating revenue to ¥268.0 billion (up 3.4% YoY), an advance in ordinary income to ¥54.5 billion (up 24.8% YoY) and a near doubling in net income to ¥35.0 billion (up 177.1% YoY).**

In view of this forecast of business results, **the Company plans to distribute a dividend of ¥35 per share. This dividend is ¥5 higher than the dividend to be distributed in the current fiscal year.**

References

◆ Non-consolidated results for Fiscal Year 2014

(1) New card members acquired	3,000,000	(down 9.4% YOY)
(2) New cards issued	2,370,000	(down 6.4% YOY)
(3) Total No. of card members	24,970,000	(net increase of 220,000 members from end of previous fiscal year)
(4) Active card members	14,580,000	(net increase of 380,000 members from end of previous fiscal year)
(5) Active ratio	58.4%	(up 0.3% from end of previous fiscal year)
(6) Shopping transactions volume	¥4,089.3 billion	(up 6.1% YOY)
(7) Shopping revolving credit balance	¥294.9 billion	(up 10.1% from end of previous fiscal year)
(8) Card advance transaction volume	¥277.0 billion	(up 4.9% from end of previous fiscal year)
(9) Card cash advance balance	¥218.4 billion	(down 0.2% from end of previous fiscal year)
(10) Operating revenue	¥219.3 billion	(up 6.5% YOY)
(11) Ordinary income	¥38.4 billion	(up 10.3% YOY)
(12) FY 2014 Net income	¥11.3 billion	(down 39.3% YOY)