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Credit Saison (8253) Announces Financial Results for Q1 2015

The Credit Service Business and Finance Business of Credit Saison expanded steadily, with operating income rising 27.1% YoY to ¥14.9 billion and net income growing 18.0% YoY to ¥12.5 billion.

In collaboration with partner companies, the Company conducted campaigns to recruit members and stimulate card usage, in a successful bid to generate mounting transaction volumes. These efforts yielded 640,000 new card members and an increase of in active card members of 130,000 over the previous fiscal year-end. As a result, shopping transaction volumes rose 6.9% over the same period of the previous fiscal year (YoY) and revolving balances expanded 4.1% over the previous fiscal year-end. To encourage the shift to cashless settlements among enterprises, the Company initiated strong efforts to drive acceptance and encourage the use of a wide range of corporate cards, tailored to each business type and various settlement needs. The outcome of these efforts was a 10% YoY increase in corporate-card transaction volumes.

In the Finance Business, a wide range of innovative financial products and strong partnerships drove solid growth in loan balances across the board. In credit-guarantee operations, the Company strengthened its lineup of untied-loan guarantee products, striving to be an attentive partner for regional financial institutions. Guarantee balances grew 2.5% over the previous fiscal year-end. In Flat 35 and Saison Asset Formation Loans, the Company teamed up with capable partners to grow loan balances for Flat 35 (balance of loans transferred to the Japan Housing Financing Agency (JHFA)) 5.0% above the previous fiscal year-end and increase loan balances for Saison Capital Formation Loan 15.2% over the previous fiscal year-end.

Credit Saison's efforts in the Internet Business focused on increasing online membership, the bedrock of its operations, while reaching out to new opportunities. In June 2015 the Company established Saison Ventures Co., Ltd., a corporate venture-capital firm. The purpose of this initiative was to invest in and cooperate with venture companies, with particular attention to "fintech," the intersection between finance and IT.

In Overseas Business, the Company entered into a capital partnership with Ho Chi Minh City Development Joint Stock Commercial Bank, a Vietnamese bank, to launch operations of a joint venture, HD Saison Finance Company Ltd. , effective on May 2015. The objective of this venture is to build HD Saison Finance into Vietnam's No. 1 general retail financing company.

Credit Saison reinforced its customer base with its sights set on sustainable growth, while pouring efforts into generating a sound loan portfolio. **Operating revenue grew to ¥68.8 billion (up 9.6% YoY) and operating income rose to ¥14.9 billion (up 27.1% YoY), while ordinary income surged to ¥17.7 billion (up 25.9% YoY) and net income attributable to owners of parent improved to ¥12.5 billion (up 18.0% YoY).**

A summary of performance by segment for the consolidated fiscal quarter under review is as follows.

1. Sales Summary

(1) Credit Services Business

The Company issued 640,000 new cards and increased the number of active members by 130,000, significantly expanding its customer base. Operating revenue gained 5.3% YoY to reach ¥50 billion, while operating income leaped 13.6% to ¥5.4 billion.

- 1) The Company proactively recruited members in close collaboration with partner retail outlets for cards such as Saison American Express® Card, Parco Card and Mitsui Shopping Park Card Saison. Credit Saison attracted 640,000 new members, representing 6.7% growth YoY, while active card members during the previous year grew 0.9% over the end of the previous fiscal year to 14.71 million users.
- 2) In collaboration with partner companies such as shopping centers and supermarket chains, the Company executed campaigns to galvanize card usage and encourage the payment of taxes by card. Credit Saison also highlighted a versatile payments menu, including revolving payments and lump-sum payments from bonuses. Shopping transaction volumes appreciated 6.9% YoY to ¥1,043.3 billion and revolving balances expanded 4.1% over the end of the previous fiscal year to ¥306.8 billion.
- 3) In June 2015, the Company enlarged the range of services available through Neo Money, an international brand in prepaid cards, and issued Japan's first cards under China's UnionPay brand.
- 4) Concerted efforts to increase its online membership base, the bedrock of its Internet Business, yielded a 2.7% increase over the end of the previous fiscal year in the number of online members, to 11.5 million members.

(2) Lease Business

Despite determined efforts to strengthen relations of trust with major partner retailers and boost sales with new sales outlets, the Company's Lease Business suffered a 5.6% YoY decline in transaction volumes, to ¥25.8 billion, and a 2.4% drop in operating revenue, to ¥3.4 billion.

In an intensely competitive market, Credit Saison initiated joint campaigns focused on key partner retailers, tailored to each retailer's unique attributes. The Company also expanded its product range to bolster sales operations. In addition, the Company succeeded in restraining costs associated with non-performing loans, as it sought to achieve a sounder loan portfolio. However, operating income fell 24% YoY to ¥1.3 billion.

(3) Finance Operations

In financing, the Company strove to build closer relationships with partners to expand its operating base, while diversifying its product lineup to meet customers' financing needs. Operating revenue grew to ¥6 billion (up 16.7% YoY), while operating income climbed to ¥3.2 billion (up 14.7% YoY).

- 1) In credit-guarantee operations, the Company built close-knit relationships with regional and other financial institutions by extending the applications for untied-loan guarantee products to operating funds. Guaranteed balances grew to ¥268.4 billion (up 2.5% from the previous fiscal year-end).
- 2) The Company boosted sales efforts with distributors for Flat 35, a housing-loan product with a long-term fixed rate. As a result, the balance of loans transferred to JHFA rose 5.0% against the previous fiscal year-end to ¥298.0 billion.

- 3) For the Saison Asset Formation Loan, the Company strengthened coordination with leading partners. The Company issued ¥10.8 billion in loans (up 29.5% YoY), while the total loan portfolio expanded vigorously, improving 15.2% against the previous fiscal year-end to ¥78.0 billion.

(4) Real Estate Related Business

Resolute sales operations led to a 68.2% YoY jump in operating revenue, to ¥6.8 billion, and a 134.1% YoY surge in operating income to ¥4.4 billion.

Atrium Co., Ltd., a consolidated subsidiary of the Company, not only undertook energetic sales efforts but also aggressively pursued planning and development to raise the value of real-estate assets. Sales of large projects in the liquidation segment and development projects also made solid progress.

2. Overview of Ordinary Income and Net Income

The Company focused its efforts on strengthening its customer base and ensuring the soundness of its loan portfolio, with a view to maintaining a sustainable growth trajectory. **Operating revenue rose 9.6% YoY to ¥68.8 billion, operating income appreciated 27.1% YoY to ¥14.9 billion and ordinary income surged 25.9% YoY to ¥17.7 billion. Net income attributable to owners of parent brightened 18.0% YoY to ¥12.5 billion.**

The Company published its forecast for business results the full 2015 fiscal year on May 13, 2015. These forecasts remain unchanged at ¥268.0 billion for operating revenue, ¥54.5 billion for ordinary income and ¥35.0 billion for net income.

References

◆Non-consolidated results for Q1, FY 2015

(1) New card members acquired	820,000	(up 4.8% YOY)
(2) New cards issued	640,000	(up 6.7% YOY)
(3) Total No. of card members	25,100,000	(net increase of 130,000 members from end of previous fiscal year)
(4) Active card members	14,710,000	(net increase of 130,000 members from end of previous fiscal year)
(5) Active ratio	58.6%	(up 0.2% from end of previous fiscal year)
(6) Shopping transactions volume	¥1,043.3 billion	(up 6.9% YOY)
(7) Shopping revolving credit balance	¥306.8 billion	(up 4.1% from end of previous fiscal year)
(8) Card advance transaction volume	¥69.8 billion	(down 1.3% YOY)
(9) Card cash advance balance	¥219.5 billion	(up 0.5% from end of previous fiscal year)
(10) Operating revenue	¥53.3 billion	(up 6.0% YOY)
(11) Ordinary income	¥11.4 billion	(down 1.4% YOY)
(12) Quarterly net income	¥7.5 billion	(down 4.0% YOY)