

Credit Saison (8253) Announces Financial Results for Fiscal Year 2016

In the 2016 fiscal year, based on the Company's management philosophy of striving to always be a leading-edge service company, following our midterm management plan, of which the final year is fiscal 2018, for which we established a business vision of becoming a "Neo finance Company in Asia," we strove to provide optimum solutions to all individuals and companies, and, at the same time, with a view to make our competitiveness even stronger, made significant changes reforming our business model. Moreover, we have conducted a range of measures to strengthen our foundations to ensure sustainable growth, including promotion of the retail finance business in Asia putting to good use the know-how we have accumulated in Japan so far.

In addition to introduction of new settlement services such as "Apple Pay" or activities to promote cashless payments by expanding the lineup of our prepaid cards, the Company has also worked together with a number of retailer across the country implementing Machi Card Festa campaigns to bring prosperity to local communities, engaged in measures to expand the use of cards for payments of hometown taxes, fixed property tax, and other taxes, striving to expand the number of active card members and the card transaction volume. Furthermore, we flexibly engaged in a number of collaborative projects with the leading online companies, for example establishing Saison DMP (Data Management Platform), a marketing platform for facilitating the utilization of big data to realize the timely distribution of information to Internet members and expand the Internet advertisement, or founding "DG Lab", an open innovation-based R&D organization, which was established in collaboration with Digital Garage and Kakaku.com. All of these efforts were made to accelerate construction of new business models to yield new profits.

In the Credit Guarantee and Finance Businesses, the Company engaged in accumulating a sound asset portfolio by offering financial products that respond to a wide range of financial needs and by joining hands with highly effective partners.

The Company invigorated its Overseas Business by forming strategic partnerships with local companies in Vietnam and Indonesia. These efforts enabled Credit Saison to develop alliances with local entities and expand the range of financial products offered, thereby contributing to revenues.

A summary of performance for each segment during fiscal 2016 is as follows.

Sales Summary

(1) Credit Services Business

Customer base was fortified with an addition of 850,000 new card members from the previous fiscal year-end. Shopping transaction volume (up 5.1% YoY) and revolving balance (up 12.4% from the previous fiscal year-end) expanded, and the operating revenue was ¥211.6 billion (up 3.6% YoY).

- (1) The Company made a strong effort to attract new card members using WEB channels and tablet devices, increased not only the number of people using "Saison American Express® Card", our premium card, but also expanded the number of affiliated credit card members using such cards as "Mitsui Shopping Park Card Saison". As a result, the total number of card members rose by 850,000 to 26,460,000 (a 3.3% increase from the previous fiscal year-end).
- (2) The Company implemented a number of measures to promote the active use of cards centering on the allied retail businesses and bolster the use of cards for tax payments. As a result, shopping transaction volume grew 5.1% YoY to ¥4,476.6 billion, while shopping revolving balances increased by ¥42.1 billion, up 12.4% from the previous fiscal year-end to ¥380.8 billion. Moreover, as a result of powerful encouragement of the shift to cashless settlement among corporate customers. The outcome of these efforts was a 20% YoY expansion in transaction volume of corporate cards.
- (3) The Company also made a strong effort to expand the lineup of prepaid cards and receive orders for commissioned member management business. With this, the total number of prepaid cards managed by the Company increased by 8,850,000 from the previous fiscal year-end to 38,540,000.
- (4) By focusing on expanding the online membership, which is the bedrock of its online business, the Company succeeded in increasing online membership by 1,350,000 people, up 10.8% from the previous fiscal year-end to a total membership of 13,860,000 members.
- (5) In December, 2016, the Company launched Point Operations Service offering a virtual experience of the investments that can be made using Eikyufumetsu points. The number of users exceeded 30,000 in a little over three months after the start, and the service is getting a lot of attention.
- (6) In March, 2017, the Company made a capital subscription to P5, a company engaged in provision of health management genome information. The purpose of this investment is to offer a health-related platform to our card members.
- (7) In Overseas Business, through Vietnam HD Saison Finance Company Ltd., the Company expanded transaction volume primarily through loans for motorcycles and consumer electronics. Both the number of business bases and the loan balance in the country showed substantial growth. PT. Saison Modern Finance in Indonesia strove to expand its lease business.

(2) Lease Business

The Company implemented joint campaigns with major partner retailers and strove to reinforce marketing efforts towards major new retail partners. Transaction volume rose 2.2% YoY to ¥108.3 billion, while operating revenue subsided 1.9% YoY to ¥13.2 billion.

(3) Finance Business

Backed by financial products that serve a diverse array of financing needs and close-knit relationships with partner enterprises, the Company engaged in building a sound asset portfolio. These efforts resulted in operating revenue soaring 13.7% YoY to ¥31.0 billion.

- (1) In credit-guarantee operations, the Company worked to establish a framework of close cooperation with regional banks, credit unions and other regional financial institutions through free guaranteed loans, which were expanded to include corporate loans, acquiring 15 new partners. The number of partner institutions reached 403 (a YoY increase of 11 institutions), while guaranteed balances rose 12.2% from the previous fiscal year-end to ¥334.1 billion.
- (2) In Flat 35 the Company expanded its lineup of products. These included the Saison Home Assistance Loan, a loan for various expenses incurred when purchasing a house that was launched in the previous fiscal year. Loan issuance jumped 56.4% YoY to ¥152.7 billion and the balance of loans transferred to JHFA increased 26.6% against the previous fiscal year-end to ¥450.2 billion.
- (3) For the Saison Asset Formation Loan, a loan product supporting the purchase of real estate for investment purposes, the Company strengthened coordination with leading partners. As a result, loan issuance expanded a robust 61.7% YoY to ¥99.6 billion. Total loan portfolio posted solid growth, surging 71.8% against the previous fiscal year-end to ¥216.9 billion.

2. Overview of Ordinary Income and Net Income

The Company conducted a range of measures to strengthen our foundations with a view to ensure sustainable growth. Operating revenue was ¥278.9 billion up 3.3% YoY, but due to the fact that the Company carried over certain sum from its provision for loss on interest repayment, operating income was ¥31.2 billion, down 14.7% YoY. Moreover, due to an increase of return on investment from equity method affiliated companies, the Company posted ordinary income of ¥53.0 billion (up 21.1% YoY) and net income of ¥42.2 billion (up 61.5% YoY), an increase both in sales and profits.

3. Next Period Forecast

For fiscal 2017 on consolidated base, Credit Saison expects the operating revenue of ¥292.0 billion (up 4.7% YoY), operating income of ¥44.0 billion (up 41.0% YoY), ordinary income of ¥57.0 billion (up 7.4% YoY), net income of ¥40.0 billion (down 5.3% YoY), and on non-consolidated base the operating revenue of ¥251.8 billion (up 5.5% YoY), operating income of ¥37.9 billion (up 55.9% YoY), ordinary income of ¥41.0 billion (up 45.3% YoY), and net income of ¥26.5 billion (up 25.9% YoY).

In view of this forecast of business results, the Company plans to distribute the dividend for the next term at the same level it was this term, namely, ¥35 per share.

(References) Non-consolidated results for fiscal 2016

(1) New card members acquired	:	3,230,000	(down 1.9% YOY)
(2) New cards issued	:	2,610,000	(down 0.2% YOY)
(3) Total No. of card members		26,460,000	(net increase of 850,000 members from the previous fiscal year-end)
(Online membership)		(13,860,000)	(net increase of 1,350,000 members from the previous fiscal year-end)
(4) Active card members		14,780,000	(net increase of 10,000 members from the previous fiscal year-end)
(5) Shopping transactions volume	:	4,476.6 billion yen	(up 5.1% YOY)
(6) Shopping revolving credit balance	:	380.8 billion yen	(up 12.4% from the previous fiscal year-end)
(7) Card advance transaction volume	:	253.8 billion yen	(down 5.2% YOY)
(8) Card cash advance balance	:	214.0 billion yen	(down 1.2% from the previous fiscal year-end)
(9) Operating revenue	:	238.6 billion yen	(up 4.3% YOY)
(10) Ordinary income	:	28.2 billion yen	(down 13.5% YOY)
(11) FY 2016 Net income	:	21.0 billion yen	(down 17.7% YOY)